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# PROVINCE OF MANITOBA

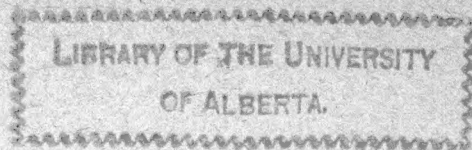


## Report of the Assessment and Taxation Commission

1919

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**PROVINCE OF MANITOBA**

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# Report

— of the —

*Manitoba* **Assessment and Taxation  
Commission**



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**1919**

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# PROVINCE OF MANITOBA

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TO HIS HONOUR,

Sir James Albert Manning Aikins, K.B.,  
Lieutenant-Governor of Manitoba.

May it please your Honour,

By a report of a committee of the Executive Council approved by your Honour on July 26th, 1918, the persons, and representing the interests, hereinafter set forth, were, in furtherance of a resolution passed by the Legislature of Manitoba at the last past session thereof, constituted a commission to inquire into and report upon:—

(1) The operation of the laws now in force relating to the assessment of different classes of property for the purposes of municipal taxation in the Province.

(2) The present method in force in the Province respecting the preparation of municipal assessments with the view of improving the same, and to secure, if possible, greater uniformity in this respect.

(3) The most equitable manner of equalizing municipal assessments throughout the Province to meet the annual statutory levies required to be made by the Municipal Commissioner.

(4) The advantage or disadvantage of rating land values only, instead of the value of lands and buildings, and extend to which and with what results, as far as can be ascertained, the rating of land values only has been adopted elsewhere.

(5) The advisability and justness of taxing incomes in addition to or substitution for other methods of taxation now in force in the Province.

(6) The most equitable method of assessing stocks and other property of mercantile firms or corporations.

(7) The most equitable mode of assessing companies operating public utilities under any statutes in force in the Province or under agreements with municipal corporations, such as companies who supply water, light, heat and power to the municipalities and the inhabitants thereof, telegraph and telephone companies, and companies operating electric street railways.

(8) Improvements in the assessment laws of the Province suggested by recent legislation in other countries.

(9) The statutory exemptions from taxation now in force, and as to what, if any, changes it is desirable should be made therein.

(10) The re-arrangement, revision, amendment and consolidation of the provisions of "The Assessment Act" and all amendments thereto.

(11) Generally to inquire, hear, consider and report upon any other matters connected with the assessment and taxation of property within the Province which may be brought to the attention of the Commission, or which might appear to such Commission to be proper subjects for consideration.

The Commission comprised the following persons:—

Representing the Legislature—

THE HON. EDWARD BROWN, Provincial Treasurer.  
J. W. BREAKKEY, M.P.P., Member for Souris.

Representing the Government—

E. M. WOOD, Chairman of the Commission, Deputy Municipal Commissioner.  
L. W. DONLEY, Assessment Commissioner, City of Winnipeg.

Representing—

The Grain Growers,  
PETER WRIGHT, and W. R. WOOD, M.P.P.

Union of Municipalities—

D. D. McDONALD and ROBERT FORKE.

City of Winnipeg—

ALDERMEN FRANK FOWLER and A. H. PULFORD.

University of Manitoba—

PROFESSOR A. B. CLARK.

Board of Trade—

W. J. CHRISTIE and J. H. PARKHILL.

Labor Party—

E. ROBINSON.

Winnipeg Real Estate Exchange—

W. H. GARDNER.

Retail Merchants Association—

J. H. CURLE.

Suburban Municipalities—

REEVE J. F. FIELDE (of Municipality of Fort Garry)

Local Branch of Canadian Manufacturers' Association—

N. M. WARREN.

Your Commission have made exhaustive investigations throughout the Province concerning the premises, and, after a full consideration of the several matters presented, beg to submit, as their report, the following:—

### INTRODUCTORY

We deem it wise with the view of imparting accurate knowledge concerning the assessment and taxation of property in the Province, and in order to afford an intelligent following and grasp of the several matters hereinafter discussed, to outline, in a general way, what the law really is in the respect referred to. This information will be found in Appendix A herewith.

### MUNICIPAL ASSESSMENTS

#### PART 1.

*Respecting the inquiry as to the present method in force in the Province as to the preparation of municipal assessments with the view of improving the same, and, if possible, to secure greater uniformity in this respect.*

It may be laid down as an inconvertible dictum that to properly appraise real estate is always a difficult matter, and it must be admitted that if this method of taxation is to be continued, competent persons must be selected to make such appraisals; that laws must be provided for the purpose that are capable of administration; that adequate remuneration be provided to secure the services of capable and energetic men as assessors. This, however, is not all. Means must be forthcoming to secure uniformity and equality in administration.

Professor Bullock, Professor of Political Economy in Harvard University, says:

Unskilled and underpaid local assessors, subject always to local pressure, and working without central direction or control, are not likely to prove efficient."

The proper valuation of property, which means the equitable distribution of taxation, constitutes the very back bone of any tax system, and there can be no question, therefore, of the importance of securing proper persons to perform the work. The great need of the day is to replace immature and hastily formed opinions of value by certainty, and to secure practical equality in taxation by substituting, as far as possible, definite and fixed rules for assessment. Experience teaches us, and the examples of other countries indicate, that advance in tax reform is very largely a matter of progressive excellence of administrative methods; skill and experience are necessary.

Thos. E. Lyons, a member of the Wisconsin Tax Commission, states:

"The persons selected in this state as assessors by a merit test, free from local influence, constantly employed, and, therefore, becoming increasingly efficient, have made marked improvement in the administration of the property tax."

Professor Bullock, speaking at a recent New York State Tax conference, said:

"No system of taxation, if enacted into law and left to carry itself into effect, will go very far toward the desired result of giving the state a good revenue system. In this country in times past we have not gone so far as that. We have not enacted taxation laws then left them to administer themselves, without any administrative machinery; but we have done something which in certain places and at certain times has had very much the same result. We have left our property tax laws to be administered by local boards of assessors who have been underpaid, who have usually had to obtain their positions by becoming candidates for office, and who therefore have exercised an authority that has rested upon the suffrages of the taxpayers whom they are to assess. We have left them without skilled advice or supervision or assistance from any central tax authority, and have then blamed them when they did not do their work well.

"Now, under such conditions of complete decentralization of assessment, with the cutting up of the state into very small assessment districts—too small to be able to employ men on full time and who are paid inadequate salaries to warrant them in making their work of assessment a life profession, for which they fit themselves by study and training—by doing that, we have made the administration of our tax laws in some cases farcical, in all cases unsatisfactory. What we need is, first, the improvement of the conditions under which the local assessor does his work. We need larger assessment districts. We need higher salaries—we need better conditions of tenure. Then, in addition to that, we need the development of state commissions that shall put at the disposal of every assessor the knowledge of an expert state board which can advise him with regard to any difficult problem of taxation. By the improvement of local assessment work and the extension of state advice, supervision, and, where necessary, control, we may hope in the course of time greatly to improve the administration of our tax laws. No system of taxation will administer itself".

We fully concur with the views expressed by Professor Bullock, and add our belief that unless the local assessor be qualified to fairly and intelligently perform the important duties attached to his office, his work cannot fail to fall short of legal requirements and to result in gross injustices in many cases.

The knowledge to properly value real estate is neither inspired nor gained in a day. Land is not bought and sold with the frequency of other commodities, nor is it so uniform in quality that the price paid for one parcel exactly measures the values of others. To estimate correctly the value of real property requires an accuracy and extent of knowledge, and a sanity of judgment, that only can be gained by experience. When these essentials are lacking, and to which is added the consciousness of low remuneration, it is no wonder that the product of the assessor, called the assessment roll, is honeycombed with inequalities, inconsistencies and glaring irregularities.

Assuming, however, that local assessors, as a whole, possessed a satisfactory degree of experience and fitness for their work, the

mere fact that the lack of any co-operation between them, and of supervision by any co-ordinating authority, has only to be stated to demonstrate the fallacy of expecting satisfactory results from individual action. The fact of assessments of various communities being made, as the practice is, by many men, acting singly, each without knowledge of the ideas and standard of the others, how possibly can they agree, or any uniformity of valuation exist? For example, if a number of well informed persons were asked to value, without consultation with one another, a given parcel of land, their estimates to a certainty, would materially vary. How much wider, too, would their judgments diverge in dealing with many parcels subject to different influences. It is, therefore, manifest that any system lacking the essentials of confining assessors to a common basis of valuation is calculated to create gross injustices, and to produce serious inequalities. If assessments are to be uniform throughout any given area it is necessary that they be made by as few men as possible, and that the work be performed by standards that are the same for all; and in this connection the fact is worthy of note that, outside our cities, assessors are furnished with none of the data and equipment that are necessary to standardize their work. Just what aids we consider desirable is stated later. The lack of them simply reduces the work of assessors to something little better than caprice or imagination, thereby evidencing the glaring truth that in many cases ratepayers are made to suffer grievous wrongs. Every effort to better the system should be made. Until means are devised for placing all assessable property on municipal assessment rolls, and properly valuing it, the whole scheme of *ad valorem* taxation will continue to be a popular recreation.

Turning to a discussion of the subject as directly affecting the rural municipalities of this Province, we have no hesitation whatever in averring that the time has arrived, and is urgent, for a radical change in methods respecting the preparation of municipal assessments. This conclusion is based, after a full investigation of the nature of the work involved and the manner of its performance, generally, throughout the Province. While it probably has been no worse than elsewhere, it certainly has been no better. In making this statement we do not desire to reflect upon the character or ordinary capabilities of our local municipal assessors, but only to emphasize the fact to be that they have been, and are, naturally, on account of lack of proper training, unable properly to perform the technical and difficult work they are called upon to do. We unequivocally say that the whole system is bad, the outstanding defect being that it has no central or supervisory head by which to secure any sort of uniformity in the manner or efficiency of its administration.

The Assessment Act of the Province provides that "the assessor appointed by the Council of a rural municipality shall after diligent inquiry make a valuation of all the rateable property in the muni-

pality according to his best judgment". If this means anything it must be that the Legislature cast upon every assessor the obligation and duty of valuing each parcel of land according to its value, and yet it is a notorious fact that in scarcely any two municipalities in the Province is real property valued in the same manner or at the same rate. Apparently the prevailing custom has been for assessors to follow the practice pursued in the past either by themselves or their predecessors. The result, therefore, is that all kinds of ratio of value of real property prevail, resulting in gross injustice between individuals and inequalities between municipalities. These undesirable conditions were very manifestly brought to our notice in investigating assessment rolls, and interrogating assessors and other municipal officials throughout the Province. Even the assessors themselves, and every municipal representative and Secretary-Treasurer interrogated, frankly admitted the glaring infractions of the fundamental rules of uniformity in assessment and equality in taxation. In our opinion it will be most inadvisable to longer continue the use of such a system in this Province, for determining land values as the basis of taxation of real property. A fair and just assessment of the value of property in any community is of the highest importance; it is the substructure of fair and successful municipal administration. Unless the foundation is stable and sure, nothing built upon it will endure. We are convinced that there is much to be done in bringing about desirable changed conditions in our assessment and taxation laws, and that no system, the administration of which is dependent upon the action of a large number of persons as assessors, working separately and without correlative ideas, can ever be made a success. Unless, in our opinion, better means are devised and put in practice to secure the most qualified men to make initial assessments in the Province, the general tax on real property in practical operation will continue to be not only unsatisfactory but grossly inequitable and unjust.

In the early days of the Province, when settlement was sparse and tax burdens were light, the present prevailing system of assessment may have been adequate. Conditions, however, have changed since then, and it is hardly to be expected, therefore, that the same methods are appropriate at the present time. We have simply outgrown the system without realizing it. With assessors appointed as they now are, without regard to their fitness for the work, and almost universally at very meagre remuneration, there never will be any marked improvement in the administration of our assessment laws. This is not conjectural; it is as sure a truth and unalterable a fact as the rising and setting of the sun or the ebb and flow of the tide.

What is the remedy?

In our opinion the practical solution is the placing of the entire administration of the assessment laws of the Province, excluding cities, in the hands, or at least under the rigid supervision of

### A TAX COMMISSION

to be so selected and to have such tenure of office as to make it free from the influence of political or popular favor or displeasure, and enable the members of the commission to devote their entire time to the performance of official duties. We think such a commission composed of a limited number of qualified persons, with such subordinates as may be necessary, would be adequate for all purposes of administration.

We find that the distinguishing feature in the effective administration of the assessment laws of many of the American states has been impartial centralized action, and we see no reason why equally good results are not possible in this Province by the introduction and use of up-to-date methods. The effect in the States referred to has been the bringing within the scope of State control a large degree of supervisory authority and effective administrative co-ordination respecting local assessments, and the more equal distribution of the tax burden.

The following States have fully organized Tax Commissions at the present time, with very wide powers, namely:

Arizona	Massachusetts	Rhode Island
Arkansas	Minnesota	South Carolina
Colorado	Mississippi	South Dakota
Connecticut	Nevada	Texas
Georgia	New Hampshire	Vermont
Indiana	New Jersey	Washington
Kansas	New Mexico	West Virginia
Kentucky	New York	Wisconsin
Maryland	Oregon	Wyoming

We quote in support of our conclusion that a properly constituted tax commission, clothed with proper authority, is essentially advisable in this Province, the opinions of the following persons, all eminently qualified and of national and international reputation on subjects relating to taxation.

Professor Adams, Professor of Political Economy in Yale University, in a recent public address, stated as follows:

"The valuation, assessment and taxation of real estate, including buildings and improvements, constitutes the very back bone of our tax system. To appraise property is a difficult matter. There can be no difference of opinion, I think, about the fact that if we are to continue this kind of taxation, we must first of all select men competent to make such appraisals, give such men tax laws that are capable of administration, provide districts that a reasonably industrious and active man can cover, pay them enough salary to begin with, and make the necessary advance in salary sufficient to keep them after they have learned the difficult trade which we ask them to prosecute. This is the most fundamental and important question in tax administration. Until Legislatures, and the electorate, consent to comply with these inexorable terms of tax administration, we shall not have good administration,

and in my humble opinion it is nearly useless to talk about larger and more abstract questions until these simple fundamental conditions have been satisfied. Pass laws that can be administered; get men competent to administer them, and pay enough both to get and keep such men. If you do not wish or cannot afford to satisfy these conditions, change and simplify your laws.

"But after you secure such men you must take the necessary means to secure uniform and equal administration. The interpretation and administration of the law are as necessary to secure equality and uniformity as the formulation of the tax law itself. There must be some head, some central authority with time and means to make certain that assessors are interpreting and enforcing the tax laws in the same way. I think it not too much to say that under one name or another there must be a state tax commission. This is shewn by the fact that there is now a tax commission or state tax commissioner in thirty or more states. Some central authority of this kind is necessary to secure uniform interpretation and administration of tax laws. A State Tax Commission properly equipped, acts as a great central reserve of expert aid. Local assessors all over the State may be helped in their difficult work and the whole tax system toned up by the assistance of men who are trained to perform this difficult work. It would be impossible for each local municipal unit to maintain the necessary experts. The State Tax Commission merely represents a joint or co-operative method of doing for the local municipal units what they cannot afford to do severally and individually."

Professor Bullock, Professor of Economics in Harvard University, in a communication addressed to the Chairman of the Commission, under date October 15th, 1919, in reply to a request made as to his views respecting the creation of a Tax Commission in this Province, expressed his views as follows:—

"A permanent tax commission ought certainly to be established in your province. We have found in the United States that the establishment of such a commission is an absolute pre-requisite for any thoroughgoing reform of taxation. The Commission should be given all the essential powers possessed today by such commissions as are found in Minnesota, Wisconsin and Kansas. Its members should serve for long terms and should be paid good salaries. It should be provided with adequate money for the performance of its work. It should have supervisory power over all local assessors. If Manitoba can establish such a Commission this year, it will be taking the most important single step toward a thoroughgoing reform of its taxation system. The laws of Wisconsin, Minnesota and Kansas would be safe guides for you in framing a tax commission law."

Professor Seligman, Professor of Political Economy in Columbia University, in his very able published essays on taxation, says:—

"Nothing has been more cheering during the past few years than the progress of the centralization of assessments, and the erection of permanent tax commissions. The movement has only just begun, and from its continuance much may be expected in the future."

In a recent published report of the Commission appointed by the State of Nebraska to inquire into taxation matters in that State, is abstracted the following:—

"Since 1900 the number of states having a permanent tax commissioner or a board of commissioners charged with the duty of administering the tax laws and studying their operation has increased from half a dozen till now more than half the states have such a body. So remarkable a change in all sections of the country must be due to some common cause. We have no doubt that

this cause is found in the increasing tax burden of which complaint is well nigh universal and in the desire to find some way of adjusting that burden so as to distribute its weight more equitably. The old boards of equalization, which the new boards are superseding, had very limited powers and these were exercised by men brought together temporarily for that purpose, often withdrawn for the time being from other public duties to perform a service for which they had no special fitness. These old boards, of which our own is an example, no longer meet the demands of efficient administration. Moreover it has come to be recognized that the most vital part of the taxing machinery is that which has to do with the original assessments and that to secure equity in them effective centralized control is necessary.

"We have become thoroughly convinced that no important improvement in the tax system of this state can be made without providing a permanent Tax Commission."

Robert Murray Haig, Assistant Professor of Economics, Columbia University, in his report in 1917 to the Saskatchewan Government relative to certain conditions affecting the urban municipalities in that Province, expressed his views as follows:—

"It is now a serious question as to whether the time is not ripe for the appointment of a central provincial board of some dignity, power and responsibility to assist in the administration of the tax system. The necessity of providing for equalization in connection with the Patriotic tax gives point to the matter. The task of guiding municipalities through the present period of financial stress, the formation of business tax schedules, the development of an effective income tax—all could be assigned to such a body. Experience in the United States has demonstrated the desirability of making such a board small and of removing it as far as possible from political influences.

Mr. J. E. Lyons, a prominent member of the Wisconsin Tax Commission, in a recent address delivered by him, stated:—

"The most distinctive feature of the law is its centralized administration. The State Tax Commission prescribes rules and forms for assessment purposes, divides the state into assessment districts and appoints subordinates to assess incomes. The assessors are wholly free from local or partisan influence and have proven a very efficient force."

A recent communication received from Professor Adams, Professor in Economics at Yale University, in reply to one addressed to him by the Chairman of this Commission, contains the following:

"There are convincing reasons for a strong central commission, with power to appoint and control the men who do the field or detail work. It is very necessary that the interpretation and application of the law be uniform in different districts. For this purpose a central body must exist with power to interpret the law, and supervise its application. It goes without saying that the proper application of any tax requires the expert service which can only be secured from capable men, with experience, who give their entire time to the work.

"Such a commission can be of the greatest service in the administration of property taxes. They soon acquire a staff of expert assistants who can be of the greatest assistance in appraising real estate. The data which they collect gives to the body which controls them, an unrivalled knowledge of different districts. The tax commission is thus a central reservoir or reserve of expert knowledge and expert aid. In addition, it offers an informed and disinterested tribunal for the settlement of tax disputes which frequently arise in the various municipalities. Finally, it constitutes a most helpful source of information and advice from which the legislature may freely draw."

Professor A. B. Clark, Professor of Political Economy in the University of this Province, and a member of this Commission, in an address delivered by him in Winnipeg to the Citizens' Research League in 1918, referred to the importance of centralized authority in tax administration. He said:—

"Just as in England the arbitrary and lax methods of the local officials led to gross abuses in the administration of the old poor law, before centralized supervision was introduced in the Act of 1834, so, in the United States, wherever the administration of the tax law has been left in the hands of local officials it has been foredoomed to failure, through want of uniformity of administration. On the other hand, in Wisconsin, the placing of the administration of the income tax law entirely in the hands of a permanent State Tax Commission, has been a conspicuous success. A recognition of the vital importance of central control is also a striking feature of the more recently enacted income law of Massachusetts, as to which Professor Bullock said: "This is one of the wisest provisions of the law because it is vitally important that the Act shall be uniformly administered."

James E. Doyle, Esq., Professor of Economics in the State University of North Dakota, says:—

"One of the obvious and peculiar defects of our system is, that it has no central or supervisory head by which to secure any sort of uniformity in the manner or efficiency of its administration. Kansas illustrated this evil before adopting her present centralized scheme under the State Tax Commission."

In discussing certain necessary tax reforms in Western Canada, Mr. F. C. Wade, formerly of Vancouver, and at present representing the Government of British Columbia in England, in a pamphlet recently published, concludes his remarks as follows:—

"A powerful Tax Commission should at once be appointed to secure all necessary data, and devise a system of taxation which will enable us to keep pace with the expenses of civic administration, and so as to entail as little hardship as possible on every community."

At the 1917 session of the British Columbia Legislature an Act was passed creating a permanent Board of Taxation. The Board consists of three members, and their duty is to study, and advise the government in all matters relating to taxation. They have the power to make any recommendations bearing on the revision of the tax laws with a view to bringing the system of British Columbia up to the best standard.

In the most recent published report of the North Dakota Tax Commission appears the following:—

"The money invested in the organization and maintenance of the state tax commission is one of the best investments the people of the state of North Dakota ever made. We have made considerable progress in reforming taxation and revenue laws of the state and enforcing them. We have increased the revenue of the state and its sub-ordinate taxing jurisdictions by hundreds of thousands of dollars of income from sources heretofore untapped—reaching property which has never borne any of the tax burden. A properly organized and well conducted tax commission is recognized as essential to any state. Authority must be centralized, and the tax commission must be the central authority—a head must be found for this business organization and its affairs must be conducted along business lines."

At the annual meeting of the Union of Manitoba Municipalities, held in the City of Winnipeg on November 20th, 1919, the following resolution was unanimously adopted:—

"That this convention endorses the principle of establishing some central authority—a head must be found for this business organization and its affairs and taxation for the purpose of bringing about in Manitoba a more equitable assessment of all assessable property both for provincial and municipal levies."

A mass of local opinions were submitted to the Commission favorable to the creation of a Central Board or Tax Commission, comprising in part the following:—

Name	Occupation	City, Town, Village or Rural Municip'y	Ref. Summary Proceedings
Lowe, S. B. ....	Assessor	Cornwallis	Page 2, Vol. 1
Bates, Wm. H. ....	Assessor	Brandon	Page 19, Vol. 1
Hockin, R. H. ....	Sec. Treas.	Sifton	Page 27, Vol. 1
Leslie, Joseph J. ....	Assessor	Archie	Page 42, Vol. 1
Oakland, George ....	Assessor	Oakland	Page 48, Vol. 1
Davidson, W. ....	Reeve	Elton	Page 50, Vol. 1
Smith, J. C. ....	Reeve	Souris	Page 54, Vol. 1
Robson, Wm. ....	Reeve	Sifton	Page 61, Vol. 1
Todd, Thos. ....	Assessor	Sifton	Page 64, Vol. 1
Box, W. C. ....	Merchant	Souris	Page 71, Vol. 1
McLean, W. G. ....	Assessor	Souris	Page 74, Vol. 1
Grieve, C. ....	Assessor	Portage la Prairie	Page 79, Vol. 1
Milne, C. C. ....	Resident	Morden	Page 86, Vol. 1
McAuley, Arch. ....	Solicitor	Morden	Page 89, Vol. 1
Sankey, Chas. A. ....	Sec. Treas.	Brenda	Page 96, Vol. 1
Southam, W. H. ....	Sec. Treas.	Roland	Page 104, Vol. 1
Ross, Geo. ....	Reeve	Roland	Page 107, Vol. 2
Parkinson, Geo. C. ....	Assessor	Roland	Page 109, Vol. 2
Rheame, Z. H. ....	Sec. Treas.	Ste. Rose	Page 119, Vol. 2
Johnson, Wm. H. ....	Sec. Treas.	Ochre River	Page 129, Vol. 2
Castle, Geo. L. ....	Reeve	Dauphin	Page 137, Vol. 2
Melnyk, Peter ....	Sec. Treas.	Ethelbert	Page 148, Vol. 2
Hunter, C. A. ....	Resident	Town of Dauphin	Page 163, Vol. 2
Horton, A. E. ....	Sec. Treas.	Carberry	Page 174, Vol. 2
Sutherland, C. C. ....	Assessor	Strathclair	Page 204, Vol. 2
Shuttleworth, N. T. ....	Reeve	Odanah	Page 331, Vol. 3
Landry, Archie ....	Assessor	Odanah	Page 335, Vol. 3
McSadzer, Nell ....	Assessor	Shellmouth	Page 339, Vol. 3
Clackson, Geo. ....	Sec. Treas.	Saskatchewan	Page 344, Vol. 3
Brown, W. G. ....	Mayor	Minnedosa	Page 359, Vol. 3
Winnipeg Suburban Municipal Asso- ciation			Appendix, Vol. 1
Retail Merchants Association of Canada			Appendix, Vol. 1
Harris, J. W. ....	Formerly, City As- sessment Comm'r.	Winnipeg	Page 326, Vol. 2
Leenhouts, J. S. ....	Assessor of Incomes, Milwaukee, Wis.	U.S.A.	Page 421, Vol. 2
McMillan, N. T. ....	Financial Agent		Page 575, Vol. 3
Melsted, S. W. ....	Retail Merch. Ass'n.	Winnipeg	Page 621, Vol. 3
Bond, A. S. ....	Ass't. Manager, Na- tional Trust Co.	Winnipeg	Page 995, Vol. 4
Watts, E. W. ....	Assessor	Fort Garry	Page 1005, Vol. 5
Nicholl, R. R. ....	Assess't & Tax Com- m'r., Can. Trans Railway	Winnipeg	Page 1071, Vol. 5

Name	Occupation	City, Town, Village or Rural Municip'y	Ref. Summary Proceedings
Baillie, M. ....	Assessor .....	East Kildonan .....	Page 1188, Vol. 5
Curle, J. H. ....	Retail Merch. Ass'n.	Winnipeg .....	Appendix, Vol. 1
Prudhomme, Jules.	Asst. City Solicitor.	Winnipeg .....	Appendix, Vol. 1
Clark, A. B. ....	Prof. of Political Economy, Univ. of Manitoba .....	Winnipeg .....	Taxation in Al- berta and B.C.
Board of Trade .....		Winnipeg .....	Appendix, Vol 2

We have, we think, sufficiently demonstrated by precedent, expert and local opinions, and otherwise, the wisdom, practicability and necessity of there being established in this Province, at the earliest possible date, a permanent Tax Commission with adequate powers in the premises, and we accordingly recommend the same.

No student of the subject of the assessment and taxation of property can otherwise conclude, than that the salvation of any tax system is a strong, able, impartial central administration, thus establishing united action in all matters of an administrative character.

No one also will, we think, dispute that the necessary funds required for the purposes of a Municipality should be raised so that there shall be a uniform equitable apportionment of the obligation amongst those benefitted. This obligation is measured by, and charged upon, the property rather than the person. This necessitates a proper determination of values as the basis of taxation.

In the administration of any tax system, the total levy each individual must pay is its outstanding feature, and in the organization to produce satisfactory results, the assessor is a most important element. He, therefore, should be selected solely upon his merits to perform the work required of him,

While we believe that a model system of assessment and tax reform should include the selection, length of engagement, remuneration, and general control and direction, of municipal assessors by a capable central authority, we make no recommendation to that effect at the present time, believing that when a Tax Commission shall have been appointed, and has assumed its duties, it will soon become evident to municipal councils that centralization of authority as indicated, is the best and only system to assure uniform and fair assessments for local and equalization purposes, and to fairly apportion the burden of taxation. In the meantime, therefore, and until councils may be impressed with the reasonableness of the situation and the object aimed at; namely, the bettering of assessments and the principles of taxation generally throughout the Province, we recommend that the appointment of municipal assessors be left with the respective municipal councils as at present, and that the latter co-operate with the tax commission in every way possible in order that the selection of the class of persons referred to will be appropriate to requirements.

We further recommend that the Tax Commission be constituted a Court of Review to deal with assessment appeals from municipal courts of Revision.

This, in our opinion, is most essential. No more competent agency could possibly be constituted for this purpose. The members of the Commission will naturally possess an extent of knowledge concerning the merits of applications for the review of assessments, not possible to be gained elsewhere. The law at present provides for assessment appeals to municipal courts of revision, consisting of members of councils, and in case of dissatisfaction there, for appeals to a County Court Judge. With all due deference to the latter we assert, we think with reason, that the Tax Commission, possessed as it would be of accurate knowledge regarding all the facts, circumstances, and data connected with the subject matter of any appeals that might be made, will be better equipped and qualified, and therefore in a better position, to satisfactorily deal with such appeals than a County Court Judge.

The methods to enable appeals to be made to the Commission should be made extremely simple and inexpensive, the present machinery provided by the Assessment Act being cumbersome, technical, and not, in all cases, reasonable as to cost. We would suggest that the decisions of the Tax Commission on appeals be final and conclusive on questions of fact, and that no appeal to the Court therefrom be allowable except on matters of law. It is highly illogical, we think, for the findings of fact of an expert administrative body to the subject to review by a court, whose capacity for thorough review of such findings is often inadequate. The interests of taxpayers should be properly safeguarded by providing a review before the assessing board itself, with the right to protect every legal interest by an appeal to the courts. But the review of questions of fact by the courts is anomalous, and very largely destroys the object of the board's existence for purposes of assessment.

We further recommend that all expenditures in connection with the establishing and maintenance of the Tax Commission, including all salaries and expenses, in connection with the work of the Commission from time to time, be paid by the Municipal Commissioner, and included by him in his next annual levies against all municipalities embraced within assessment areas under the jurisdiction of the Tax Commission, on the basis of the amount of the equalized assessment of the municipalities affected.

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## PART 2.

## SINGLE TAX

*Respecting the question of the advantage or disadvantage of rating land values only, instead of the value of lands and buildings, and the extent to which and with what results, as far as can be ascertained, the rating of land values only has been adopted elsewhere.*

What is known as the Single Tax, has had, and in isolated groups has at the present time, enthusiastic supporters. Few persons, however, have any well defined idea of what it really involves, while others, with a species of mental indigestion, and carried away with alluring statements of its advocates, have neglected to inform themselves as to the problem from the standpoint of modern economic science.

What is the Single Tax?

It involves a single tax on land values, that is, a tax on the value of the bare land irrespective of the buildings or other improvements in or on the land. The general economic theory upon which the demand for the single tax is based is shortly that land is the creation of God; it is not the result of any man's labor; no one, therefore, has the right to own land; increase in the value of land is due mainly to the growth of the community; like the land itself, it is not the result of any individual effort; it is an unearned increment which properly belongs to society. It is further claimed by its enthusiastic advocates, that private property in land is the cause of many social evils, and it, therefore, is the duty of governments to take what belongs to the whole community; that while every one may retain the result of his own labor, the value of land, the economic rent, must be taken for the State. In this way, and in this way alone, they claim, can the social problem be solved. It is also alleged by this same class of persons that the crystalization of the features of the single tax into the law of the land would solve the labor problem, do away with involuntary poverty, raise earnings in all occupations to the full earnings of labor, make over-production impossible until all human wants are satisfied, cause such an enormous production and such an equitable distribution of wealth as would give to all comfort, leisure, and participation in the advantages of an advancing civilization.

The above are shortly the theories of the Single Tax, and it certainly is an inviting prospect. It appears to be not so much a method of tax reform as a panacea for human ills.

We quote the following in support of our view that the so-called Single Tax theory is a veritable Will-o'-the-Wisp, and lacking the essentials for practical use in any scheme of taxation.

Professor Seligman says:—

"I have studied the single tax from different points of view. It is defective fiscally, politically, morally and economically. It is inelastic, and would intensify the inequalities resulting from unjust assessments; that although it itself proposed chiefly from social considerations, it would prevent the taxing power for other social purposes, and would divorce the interests of the people from those of the government; it would offend against the canons of universality and equality of taxation, and would seriously exaggerate the difference between profits from land and profits from other sources; and finally, it would be entirely inadequate in poor communities, and in the large urban centres it would exempt large sections of the population without bringing any substantial relief to the poorer classes.

"It is claimed by the single taxers that the application of their scheme would introduce the social millennium. Even as a method of tax reform, however, the project is, as we have seen, a mistaken one. Our system of taxation is far from being ideal, or even comparatively just, but whatever be the much needed reform, and however desirable may be the addition of a tax on land values to existing revenue systems, it is not probable that either the common people, or the student, will accept a scheme which is at bottom palpably unjust, which abandons one of the fundamental theories of modern taxation—that of relative ability or faculty—and which seeks to put the burdens of the many on the shoulders of the few."

Professor Bullock of Harvard University, says:—

"The single tax on land has not met with such success in other parts of Canada as to commend it to your Province for adoption. I have studied the working of the so-called single tax in Vancouver and Victoria, where I was able to make a visit in 1914, and have come to the conclusion that it has been a very bad thing there. Since then Professor R. M. Haig has published a more extensive study of the single tax in Canada, which confirms all I learned in British Columbia in 1914. You need in your province to broaden the basis of taxation rather than to narrow it by the exemption of buildings and the abolition of other taxes except land taxes."

Professor Adams of Yale University, expresses the following views on the subject. He says:—

"An opinion is asked concerning 'the land tax only'. With the deepest appreciation of the high motives which actuate many single taxers, I must express the conclusion that the single tax is unsound in theory and impossible in practice.

"Time is after all a searching test of the practicability of ideas. The single tax has been vigorously championed for more than a century, during which the tax system of practically every civilized country has been growing more diversified. Time proves that there is not one single theory of taxation—there are several sound theories. Single taxers admit this in the United States and most other countries by approving the inheritance and progressive taxes on incomes and excess profits. Experience proves, in fact, that the theory behind progressive income taxes, based as it is upon ability to pay, is far more important and far more serviceable in practice than the half-truth contained in the single tax proposal.

"There is a half-truth in that proposal, arising from the fact that land is durable and in any given district its supply cannot be materially increased. This makes demand the principal factor in determining the price of land, gives rise on some occasions to a real 'unearned increment', and justifies somewhat heavier taxation of land than of improvements. But full effect to this truth is already given in Manitoba by the practice of assessing land at full value and improvements at two-thirds of their value.

"If conditions in Manitoba are similar to those in the United States, buildings and improvements have, since the beginning of the war, benefited by an unearned increment fully as large as that received by land. At this time, therefore, there would seem to be little justification for discussing any proposal to exempt buildings from taxation in whole or part. The owner of the building is frequently a very rich man or very rich corporation. He not only has a large property but this property has received since the beginning of the great European War a particularly large increase in value due to the cessation of building operations and other related factors. Surely this is no time to propose the complete or partial exemption of buildings.

"In the long run, the average man who invests in land makes no larger profit than the average man who invests in buildings or other forms of business. Why, then, penalize the investor in land as such. He may be poor; his investments may prove unfortunate; his taxpaying ability may be small. I can see no possible justification for imposing additional taxes on this man in order to relieve possibly wealthier taxpayers, a larger portion of whose wealth is invested in buildings and improvements."

Our investigations of the principles involved in the Single Tax theory has convinced us that it is impossible to properly value land without having regard to the buildings upon it. The proposal of the advocates of the system referred to is to take the value of the bare land, without improvements, and assess only on this value. This is an endeavour to seize hold of an abstraction. When a house is erected surely the site and building are one. Building and site form the house. They are occupied as one; they are rented as one; they are sold as one; they are mortgaged as one. If you separate them, if you remove the building and leave the site bare, the house has ceased to be. What is proposed is that the site should be valued as if the building did not exist; in other words, it would be necessary to determine what a hypothetical tenant would give for a property in a state other than its actual state, and which also would be hypothetical. When land is thus singled out for taxation we cannot possibly follow the argument, except in the light of the single tax theorists, that to destroy private property in land is good policy from an economic viewpoint.

Under our present system of valuing land and buildings, and imposing a specified rate on both, no injustice is inflicted. So long as the total amount on which the ratepayer is assessed represents a fair value of his site and buildings, it does not matter to him how this amount is divided up into two sums representing respectively, the value of the site, and of the buildings; but if site value alone is to be taxed the valuation will necessarily become uncertain, arbitrary and unjust, if not impossible.

Moreover, a rate on building values is a fair one. If there were no buildings there would be no necessity for municipal activities whatsoever. It is the improvements upon land that call activities into being. Buildings are producers of rent, wealth, a proof of ability to pay. The man living in a mansion should pay more than the man inhabiting a cottage, and it would be a gross injustice to rate them equally, as would be the case if their land of the same value. It is the person who pays, not the thing.

The reflection, too, is worthy of note, that if improvements were entirely exempted and rates were levied on land values only, it is probable that in urban centres, municipal councils would find their revenue requirements necessitated the levying of a rate so high as to impose on the landowner a burden, which, judged by any ordinary standard of taxation, could only be regarded as excessive. In some instances the rate might be even so high as to amount to something like confiscation of the property on which it was imposed.

It is advisable to examine, briefly, some individual instances: First, take the case of Vancouver. In 1909 a disciple of Henry George was elected Mayor of Vancouver, practically on the platform of his assurance that the principles enumerated in Henry George's "Progress and Poverty" would be carried into effect in that city. Taxation was taken off improvements, and Vancouver, prospering, as all other cities on this continent were prospering at that time, the boast was made that the prosperity of that city was due to the newly discovered system of taxation. Following the example of Vancouver, the exemption of improvements became practically the law of British Columbia, Alberta and Saskatchewan, but fortunately in no city in Manitoba. When land was soaring, fortunes being made daily in land speculations, and general prosperity reigned throughout the west, the single tax publications and supporters were boasting far and wide of the success of the theories of Henry George in Western Canada. All went well until 1912, when prosperity began to wane, and the chilling frosts of monetary stringency began to be felt. Then taxation again became a burning question. Land values had commenced to depreciate and collapse, thus imperilling the solvency of municipalities which had taken the leap in the dark. Real estate values, formerly considered an appreciating asset, shrank with alarming rapidity, and became to the owner an increasing burdensome liability. Taxes, based on extravagantly inflated assessments, ceased to be met.

In Vancouver, the council found itself in a financial quagmire. Not being desirous, however, of admitting the failure of the system of a land tax only, which had been their boast and pride, they increased the tax rate until in 1917 it was 24 mills, which, of course, bore most heavily on the small proprietor. In 1918, the council was faced with the alternative of either a greater increase in the tax rate, or an abandonment of the unimproved land tax. Needless to say it was abandoned. Vancouver was compelled to broaden its basis of taxation, or else go into hopeless bankruptcy.

We refer for a moment to the disastrous results of the few years single tax nightmare of Vancouver and Victoria. The facts and figures are startling. The tax arrears in Vancouver at each of the years shown were as follows—

1910	.....	\$ 179,296.74
1911	.....	265,019.90
1912	.....	510,136.12
1913	.....	728,695.22
1914	.....	1,863,985.80
1915	.....	3,137,423.73
1916	.....	4,219,211.33
1917	.....	5,043,110.92
At end of October 1918	.....	5,750,000.00

In December, 1917, the city was obliged to issue treasury notes on the security of its tax arrears only, in an attempt to meet its financial obligations. Early in 1918, South Vancouver having defaulted in meeting its obligations, an administrator was appointed by the government to administer its affairs, who said, after investigation:

"After careful investigation of the financial situation I find it absolutely necessary to depart from the straight tax on land."

Vancouver is still struggling to undo the harm of its sad single tax experiment of concentrating taxation wholly on the land owner, which, it appears, it is important to realize upon or enforce. Such a system that culminates in such a condition of affairs, stands in need of no further condemnation.

In Victoria the experience was much the same. That city took a half-hearted single tax leap in 1910, when improvements were taxed only to the extent of 50 per cent. of their value. In 1911, however, a complete somersault was made, and improvements were wholly exempted from taxation. The valuation of land for taxation purposes commenced immediately to soar. In 1910 the land assessment was \$26,288,892. It increased every year steadily, culminating in 1915 to \$80,751,035. Then came the reawakening; assessments, perforce, began to drop; large arrears of taxes had accumulated; the bank account was largely overdrawn; commissioners were appointed by the government to deal with the situation; the Legislature was invoked to extend relief, and general trouble was manifest everywhere, and even is not yet ended. Such have been the fruits of the single tax bogie in Victoria.

Saskatoon also came under the bewitching allurements of the single tax theory. With what results is forcibly disclosed in a scathing special report of Mr. C. J. Yorath, City Commissioner of Saskatoon, in 1917, to the City Council, who said:—

"The policy of exempting improvements from taxation has proven to be the most difficult method of raising revenue, was largely responsible for enormous arrears of taxes, did not prevent speculation in land, but in fact stimulated speculation, as through the supposed advantage of inducing the owner to develop his property an unhealthy prosperity was created."

And lastly, in the case of the City of Edmonton, which now taxes everything in sight, the venture proved equally as disastrous

The result of the single tax in the west has plainly been most disastrous, and most regrettable is it that the injuries done will take some years to restore to normal the financial conditions of those places having been induced to try the experiment. It is a pleasant reflection, however, speaking from a selfish point of view, that the City of Winnipeg escaped from the mesmeric influence of the single taxers in their campaign in Western Canada.

To sum up: In our opinion the doctrine or theory of Single Tax in practice as applied to urban and suburban communities, is too narrow and unreliable a basis of civic revenue, and would not in any event, produce the results claimed by its exponents, and, therefore, cannot be recommended as an equitable and just element in any system for the raising of the necessary funds to meet municipal requirements.

In the words of Dr. C. C. Plehn, Professor of Finance in the University of California:—

"Instead of being 'a bold, bare enormous wrong', as Henry George depicts it, the institution of private property in land has proven itself to be a very wholesome institution, stimulating thrift and industry, and giving to the great mass of the people and to industry and commerce generally, that safety and security which is essential to the pursuit and achievement of the highest general welfare

"As a system of taxation the single tax is unjust, for it fails to conform to the canon of equal taxation, that is, that all should contribute to the support of government in proportion to ability to pay. It taxes individuals only in proportion to the amount of land that they own. It taxes the poor man's land and exempts the rich man's personal property, mansions, skyscrapers and factories. It is not based on income or any other good measure of ability to pay. It exempts nearly all monopolies and trusts. It discriminates against the small home owners, mostly the working men."

### Recent Results of Single Tax Proposals in Two American States

In the State of Oregon in 1916, a single tax proposition was submitted to the vote of the people. This proposition, as described by a local single tax advocate in a freely quoted paragraph: "has as its intent, to confiscate all land titles leaving owners and mortgages nothing but improvements and preferred rights to become tenants of the state." The resulting vote was 43,800 for, and 184,900 against, nearly five to one.

In the State of California in 1912, 1914 and 1916, the electorate voted on a single tax referendum with a majority against it in 1912 of 74,638; in 1914, 108,106; and in 1916, of 316,201. This amendment voted on was "that State, County, Municipal and District taxes shall be raised by taxation of land values exclusive of improvements, and no tax shall be imposed on any labor, product, business or person."

This proposition was described by the San Francisco Chronicle as "shockingly wicked and absurd."

**PART 3****RESPECTING THE SUBJECT OF THE PUBLIC SCHOOLS  
SYSTEM OF THE PROVINCE AND MATTERS  
CONNECTED THEREWITH**

The question of the wisdom and resulting effect of the statutory provisions relating to rural schools throughout the Province, has also received our consideration. We are in accord with the views expressed before the Commission that the character of the existing organization requires considerable overhauling. The school law of the Province provides, and is responsible for, the creation of many various school districts in the various rural municipalities of the Province. Each of these districts maintains an independent organization with its own trustees and officers. In our opinion this kind of organization for rural schools is cumbersome, obsolete and inefficient. It has been discontinued in many of the states to the south, and must be in this Province before we can improve and modernize the rural schools and enable them to best serve the people of the agricultural sections. To make these schools effective there must be an efficient, modern organization to administer them. The plan suggested is centralization, that is, the substitution of one Board of trustees to administer the affairs of all the schools units in a rural municipality, to be selected in like manner as in cities and towns, or by some other fair method. It is our view that the introduction of such a system in this Province would tend towards greater efficiency in the instruction of pupils, and economy in management. If at all possible, and it is possible in our opinion, the public schools in this Province should be made greater agencies in the cause of education, and be so constituted as to render the largest service demanded by industrial and social conditions. Can it be imagined how a plan would be received to-day, proposing the selection of various school boards for each school maintained in the cities in the Province; to give to each such board plenary powers respecting the employment of teachers, expenditures and general business control! Can it be imagined, for instance, in the City of Winnipeg, the changing of the existing plan of organization of the school system, by creating as many boards of control as there were schools! We feel confident such a proposal would be considered the very height of absurdity, and would not be tolerated for a moment under any conditions, yet this very system of school administration exists throughout rural sections of this Province, and has been in operation for many years. There has been no change in the fundamental organization of the rural schools system since the Province was first created. It is true that some advance has been made in the matter of school consolidation in the rural parts, but the progress has been slow. The adoption of one board of school control in each rural municipality will do more, in our opinion, towards the facilitation of the consolidation of rural schools than any other action which could possibly be taken.

In corroboration of our views concerning the cumbersome character of our public schools system, we below quote from an address delivered by Mr. S. E. Lang, of the Provincial Department of Education, to the Manitoba Teachers Association, as reported in the "Manitoba Free Press" of 28th April, 1906. Mr. Lang said:

"Most of those who have anything to do with the administration of rural schools will agree that the system of small trustee boards of three members exercising control over a single small school district is an entirely inconvenient one. The advantages which should attend the establishment of municipal school boards are numerous and important. A seat on such a board would be greatly desired by those vitally interested in education and competent at the same time to perform the required duties. Greater interest in education would be stimulated, and greater care exercised in the selection of teachers. Waste could be avoided in regard to certain expenditures for the upkeep of the school, and greater intelligence would be exercised in the purchase of school apparatus. Perhaps, most important of all, a municipal school board would be in an immensely better position to select suitable teachers for the schools than the individual school boards could possibly be under the present haphazard, hit-or-miss system. They merely elect their teacher from the few that are available. A municipal school board could readily confer with the local inspector of schools, and so concert measures for the improvement of the schools. The conveyance of children to school at public expense is a problem with which a municipal school board would be competent to deal, and the same may be said of the related problem of consolidated school districts and the establishment of central schools. A majority of such a board would probably be elected by popular vote. Of a total board of five members, one might be appointed by the municipal council and another by the Reeve. In any case some arrangement could be arrived at by which the best men in sight could be secured for this service. The present system does not encourage administrative talent. Some initial difficulty may be experienced in breaking away from it owing to the mere fact that it is and has been the established order. The prejudice in favor of local control will be hard to overcome in spite of the fact that such control makes for inefficiency and waste."

A study of methods of assessment and taxation in any locality or province must of necessity be incomplete without a careful examination of the basis, and the levies that determine the citizens' purchasing powers in the matter of education. Every child born under our Flag has a birthright, and that birthright entitles him or her to a fair education. Equal opportunity is the right of all. Therefore, the amounts of money to be raised for this purpose, as well as the methods employed, are matters of the very greatest concern to all taxpayers.

Our educational institutions may, in the main, be grouped under three heads, viz:—

1. Elementary Schools.
2. Secondary Schools.
3. Universities.

In group 1, there are in round numbers 3,000 elementary departments or rooms, of which about 1,500 are rural one room schools. The financing of the latter group naturally engages our attention at this point. These rural schools, as they are commonly known, have three main sources of revenue, viz:—

1. The government grant of 75 cents per teaching day per room, or \$150.00 per annum.
2. The general school grant of \$20.00 per month per room, or \$240.00 per annum, levied on all the lands within the municipality.
3. The Special school levy, made by the municipal council upon those lands which lie only within the boundaries of the various school districts.

The rate for the general levy usually runs from 2 to 4 mills on the assessed value of the lands, but reaches the high point of 10 mills in certain localities; while the special rate, which provides for all expenditures not taken care of by revenue from sources one and two, shows wide variations, and glaring instances of inequality. Investigation has brought to light many such cases. A few are enumerated:

In Rockwood Municipality the Special Rate varies from 5 to 26.4 mills; in Glenwood from 0 to 15 mills; in Cameron from 6.4 to 56.7; in Dauphin Rural 7 to 50; in Ethelbert 30 to 68; in Portage Rural 0 to 68; while records for 1918 show one instance of a special tax of 87 mills. It was found also that in many municipalities (among them some of those mentioned above) there are assessable lands varying in quantity from 1 to 40 sections in a single municipality, not included in any school district, and the owners of which pay no school tax beyond the trifling amount of the general levy, and this, as pointed out, is generally very low.

Another phase of the question is made manifest by the following figures:—

In 1918, one rural municipality supported 27 schools with 28 teachers, while a portion of it in a Consolidated School District, in conjunction with a town, supported two schools with 16 teachers. The 27 rural schools had an enrollment of 760 pupils; in the consolidated district 735. The average annual salary in both cases was the same, \$800.00. It will be observed, that the 12 extra teachers in the rural schools took care of only 25 extra pupils. Eleven of the above mentioned had an enrollment of less than 20, and four of the eleven less than 10. Nine out of the 28 rural rooms had an enrollment of 108 pupils, or an average of 12, with an average attendance of 8. The average attendance in the rural schools was 64 per cent, in the consolidated district 84 per cent.

The conditions prevailing in the areas referred to are not uncommon throughout the entire Province. The average rural school district consists of, approximately, 16 sections, some larger, others smaller; but whether the area be 8 sections or 20, whether the school attendance be 5 pupils or 40, the amount of annual outlay necessary to carry on the work is practically the same. A school must be built and maintained, a teacher must be engaged and paid.

The annual cost of upkeep depends very little on the population to be served or the extent of the taxable area; the smaller the latter the higher the special tax.

An influx of population, or the loss of a building, might necessitate a new school, in which case the special rate might possibly rise in one year from a few mills to 50 in that district. Were such expenditures borne by the municipality at large the variation would be but slight, the constant wrangle now carried on by taxpayers seeking relief from the small districts and incorporation into the large ones for the purpose of escaping high taxes, would cease, and, as education is a matter of concern for the state and not for certain parents or individuals only, there would be the added advantage of having all the lands within the municipality contribute their due proportion of the monies required, according to "ability to pay" on the part of the owner.

The records impress upon our minds the fact that within one municipal unit where the present system of administration and finance is in effect, there are cases where with lands of equal value, with the same type of people, with similar economy practised, advantages offered, privileges enjoyed or services rendered, the special school rate may, and does, vary from no mills to 68 mills on the dollar, or may in one year rise from a very low figure to 50 mills and upward.

The present system is a relic of pioneer days, and was inevitable in the unorganized territory when and where education had to be taken care of by the readiest means at hand, but it should never have been carried into the present organized municipal units. The abolition of the boundaries of the small independent rural school districts, and the creation of Municipal School Boards, are first essentials in removing the barriers which prevent education from spreading properly in those areas. Such steps will open the way for the establishment of efficient educational methods, supplying to our rural children through the medium of larger and better schools, all the advantages enjoyed by those in urban centres. From the standpoint of finance, having no regard to prospective increases in the requirements for schools, a great deal more, in our opinion, could be accomplished by present expenditures if the taxation units were enlarged, and other reforms made along the lines suggested.

### Secondary Schools

The problem of Secondary Schools in cities, towns and villages presents some difficulties that should be dealt with.

These schools have in round figures 250 departments, and are known as: Intermediate, High, Collegiate Departments, or Collegiate Institutes, according to the number of departments and teachers comprising the school. These are located in 115 districts, but by

far the major portion of the work of secondary education is carried on in about 45 of these centres. In all localities where the above are situated, there are also the elementary or public schools of the district. The grant from the government to the latter is \$150.00 per year, as in the case of rural schools, while that to secondary schools is sufficient to pay about one third of the annual operating expenses.

The Government assumes practically the whole cost of University training. The aggregate amount of grants made by the Province this year to educational institutions is about one and one-third million dollars, while the special levies made by all the Municipal Councils of the Province approximate \$1,802,403.00, and the general school levies, \$2,539,719.00, making a grand total of, approximately, \$5,675,455.33.

In towns and villages supporting secondary schools, the rate is often very high, and the amount required a heavy burden, reaching \$50.00 upwards per child per year, for public schools, and at times double that amount for high schools. This is due, first, to the expensive schools, and equipment which the urban school usually provides; secondly, the number of children in proportion to the value of assessment is often very great as compared with that in the rural districts; and thirdly, the cost of plant and equipment together with operating expenses of secondary schools. The major portion of the excess is due to the last of the three causes mentioned.

The secondary school exists for a three-fold purpose; the training it supplies in itself, the preparation of pupils for the University, and lastly, the development and training of pupils for the teaching profession. To discuss the absolute necessity of an adequate number of teachers, well fitted for their work, is to labor to prove an obvious fact; but let it be emphasized that, as our secondary schools constitute our main source of supply, these must ever remain a most essential part of our educational system, and as such, are of the utmost importance to the Province as a whole. If the people of the Province at large share in the benefits, they should share also to a greater degree in the financial responsibility. Were the Departmental grants reasonably increased in assisting High Schools, then both they and the Public Schools in such districts, would be in a position to carry on their work with a much more marked degree of efficiency than obtain at present, and without inflicting the taxpayers with any undue portion of the burden.

With respect to this latter recommendation, the Union of Saskatchewan Municipalities in August 1917, expressed its views as follows:—

"High schools and collegiate institutes are supported by the urban municipalities with the aid of government grants. In many cases a very substantial portion of the enrolment comes from the rural regions which make no direct

financial contribution to the cost of the schools. We recommend that the financial support of schools of this grade be assumed entirely by the provincial government."

Professor Robert Murray Haig, Assistant Professor of Economics, Columbia University, in his report made in October, 1917, respecting taxation in the urban municipalities of Saskatchewan, in referring to this matter, said:—

"High schools and collegiate institutes in Saskatchewan are municipally controlled institutions, which receive their financial support primarily from taxes levied by the cities and towns. The students, however, are often drawn from a wide territory and consequently the urban taxpayers are called upon to bear the total cost of high schools which serve both city and country. The burden involved can be better appreciated when it is understood that as much as 30 per cent. of the enrollment in Prince Albert and 35 per cent. in Saskatoon come from outside districts. The per capita cost of high school instruction moreover is very high. In Moose Jaw it approximates \$110.00; in Prince Albert \$136; and in North Battleford, \$260.

"This is a situation which demands attention. The suggestion of the Committee of the Union of Saskatchewan Municipalities is that the provincial government assume the entire financial burden of these institutions."

The conclusion reached, after careful consideration of the questions in hand, cannot fail, we think, to meet the views of all those who have progressive ideas on the subject of education.

We would recommend:—

1. That the School Act be amended making the taxation unit for schools in Rural Municipalities correspond in area with that for municipal purposes.
2. That Municipal School Boards be made compulsory of establishment throughout the entire organized rural portions of the Province.
3. That in the election of trustees to said Boards a fair method be provided to govern in all cases.
4. That when school districts provide the plant equipment for secondary education, the Departmental grants to such be equal to, or at least 80 per cent of, the entire cost of operation.

### Municipal School Boards in the Rural Districts

Expression of views of the Manitoba Trustees Association on the subject of school taxation and administration in the Province, submitted to the Commission.

"The average rural school district in the province of Manitoba consists of sixteen sections and the population does not usually exceed 150 people and is frequently much less. This unit is too small either for efficient and economical management or for equitable taxation, but for present purposes we will deal only with the latter aspect of the situation. The defects of the present system from the standpoint of taxation are as follows:—

1. Rural school districts, as at present constituted, from various causes differ widely in area. The outlay for the upkeep of a country school depends very little on its area or the school population. In all cases a school house must be built and heated and a teacher engaged, no matter whether the attendance is 5 or 40. The district containing 8 sections must spend almost as much money as the one containing 20 sections and must therefore levy a much higher rate to produce the necessary revenue. We find all through the province glaring instances where two districts lying side by side, with the same kind of land, the same type of population and supplying the same educational advantages have widely differing rates of special school taxes. All Municipalities examined show the same variation, and the case of the rural municipality of Portage la Prairie where the special taxes run from no mills to sixty-eight mills in the rural districts is only an extreme instance of a condition which is found in any part of the province. These variations depend to some slight extent on the quality of education supplied by different schools, but in the vast majority of cases is owing to the differences in area alone.

2. Another defect in the present system is the wide variations in the tax rate in the same district from year to year. This is caused by the unequal distribution of the cost of erecting school houses. These last approximately twenty years, and the estimated cost is usually paid by debentures extending over ten years. The actual cost, however, almost invariably exceeds the estimate and the excess must be paid by a very high special levy for a year or so. The rate then drops to an amount necessary to pay the annual instalments of debentures and after the expiration of ten years again drops and remains low until it is necessary to build another school. Cases are on record where the rate in a district rose from five mills to fifty-odd mills in a single year. If the taxation unit were the municipality, the fluctuations, owing to these causes, would be distributed over the whole area and the result would be a practically uniform rate from year to year as in the case of rates for municipal purposes as at present.

3. In every Municipality where the matter has been investigated from two to forty sections of land are not included in any school district, and pay nothing towards the support of the public school system beyond the trifling amount of the general levy. There are often good reasons why a parcel of land should not be attached to this or that school district, but if we admit the principle that the education of the child is the business of the State and not of the individual parent, there is never any good reason why any parcel of land should not bear its share of the burden of education. We are of the opinion that the only way of securing the proper taxation of such parcels is by the organization of municipal school boards.

If the area of the district approximated to the area of the municipality, with one school board and one school rate distributed equally over all property situated therein, all the above difficulties would be eradicated and the system placed on a satisfactory footing.

### Taxation For Secondary Schools

The problem of the secondary school in towns and villages presents some difficulties to which we wish to call your attention. The proportion in which a provincial government assists the various educational institutions is about as follows:—

(a) For public schools it grants \$240.00 per teacher, which amounts roughly, to rather less than one-fifth of the total cost.

(b) For secondary schools, consisting of intermediate schools, high schools and collegiate institutes, it makes grants covering somewhat less than one-third the total cost.

(c) For university education, it assumes, practically, the whole cost less a small amount realized from students' tuition fees.

The secondary school is at all times an essential part of our educational system, both for the training it supplies in itself and also as a preparation for the university. A secondary school is also the source from which we obtain

practically all our teachers and at the present time with a serious shortage in the supply, the efficiency of these schools is a matter of the utmost importance to the province as a whole.

The tax rate in the towns and villages supporting secondary schools is from two to three times the rate in the rural districts surrounding them when the necessary adjustments for differences in assessment are made. Part of this difference is, of course, caused by the more expensive buildings and equipment which the town or village school usually provides, and part is caused by the fact that the number of children in proportion to the value of the assessment is higher in the town than in the rural district, but the greater part of the difference is caused by the extra cost of the secondary school, and this secondary school serves not only the ratepayers of the town or village, but also a very considerable territory surrounding it.

Several solutions have been suggested. One suggestion is that a district comprising a town and the rural portion tributary be formed and the outlay for the running of the secondary schools levied equally on the property therein. Another is that a municipal school board be formed to take in the towns and the rural portion of the municipality so that the cost of maintenance of the secondary schools be distributed over the larger area. We are of the opinion that at present neither of these schemes are either fair or practicable. It would be unfair to levy a rate on a rural community for the upkeep of a town high school, until arrangements had been made by transportation or otherwise to make the school as accessible to the country pupils as to the town pupils, and in most cases this is not yet possible.

On the other hand it is suggested that the whole cost of the maintenance of the secondary schools be borne by the Provincial Government in the same way that the cost of the university is borne, on the ground that they are equally important to the Province as a whole, as the University, particularly in view of the need of teachers at the present time. It is evident that if these schools were financed wholly by the government the control would have to be largely, if not wholly, in the hands of the provincial authorities, and this we hardly think feasible, even if the various districts were willing to relinquish their rights off local control.

We are inclined to think that the solution of the matter for the present is in a still further increase of provincial grants to secondary schools. The increases recently made by the department of education have raised the proportion contributed from provincial revenues from between twenty and twenty-five per cent. to about thirty per cent., but we are of the opinion that a still further increase, say about two-thirds of the cost of the upkeep of the secondary schools to be borne by the provincial revenues, would enable these schools to perform their work efficiently without throwing an undue proportion of the burden on the ratepayers of the towns and villages in which they are situated.

All of which is respectfully submitted.

Your respectfully,

S. H. FORREST.

On behalf of the executive of the  
Manitoba Trustees Association.

A large number of persons interrogated by the Commission expressed views favorable to the establishment of Municipal School Boards, comprising in part as follows:—

Name	Occupation	Address	Reference
			Summ'y Proceedings
Hockin, R. H. ....	Sec.-Treasurer .....	R. M. Simpson .....	Page 34, Vol. 1
Brown, R. H. ....	Treasurer .....	Brandon .....	Page 45, Vol. 1
Davidson, W. ....	Reeve .....	R. M. Elton .....	Page 51, Vol. 1
Smith J. C. ....	Reeve .....	R. M. Strathcona .....	Page 54, Vol. 1
McAulay Archibald.	Solicitor .....	Town of Morden .....	Page 89, Vol. 1
Cranston, Wm. ....	Clerk .....	R. M. Louise .....	Page 94, Vol. 1
Darra, P. T. ....	.....	R. M. Louise .....	Page 100, Vol. 1
Johnson, Wm. H....	Sec.-Treasurer .....	Ochre River .....	Page 132, Vol. 2
Castle, Geo. L. ....	Reeve .....	R. M. Dauphin .....	Page 136, Vol. 2
Bowman, J. L. ....	Mayor .....	Town of Dauphin .....	Page 169, Vol. 2
MacNeil, H. S. ....	Business Manager.	Town of Dauphin .....	Page 169, Vol. 2
Davis, I. L. ....	Barrister .....	Town of Neepawa .....	Page 209, Vol. 2
Harrison, W. H. ....	Sec.-Treasurer .....	R. M. Rosedale .....	Page 223, Vol. 3
Shuttleworth, N. P..	Reeve .....	Odanah .....	Page 331, Vol. 3
Wolstenholme, Thos.	Reeve .....	R. M. Saskatchewan	Page 344, Vol. 3
Forrest, S. H. ....	President .....	Man. Trustees Ass'n.	Appendix, Vol. 1
Sankey, Chas. A....	Sec. -Treasurer ....	R. M. Brenda .....	Appendix, Vol. 1

### PART 3 (A)

### BUSINESS TAX

Mature judgment, economic theory, and fiscal practice, alike support the position that the taxation of local business forms a suitable source of municipal revenue. The local government by its expenditure supplements the action of the provincial and national government in providing the economic environment suitable for business. Indeed a great part of municipal expenditure is directed towards the protection and promotion of business. Under a sound system of municipal finance business taxes are thus essentially beneficial taxes, which are no real burden on the merchant. Cities, towns, and villages are, in the main, economic unions. The municipal government is in fact a partner in every industrial concern, and as such is entitled, in return for its contribution, to share in the profits of the business.

If we turn from theory to practice it is at once evident that for the taxation of business there is a wealth of precedent. Professor Bullock says: "The original form of this taxation is found in the licenses for trade so common in earlier times". Traders who at first were supposed to pay the import and export duties imposed on their commodities, were besides subjected to duties for pursuing their particular avocation. The whole mediaeval system of incorporations and guilds, which survived till the French Revolution, placed certain burdens on those engaged in industry.

In France, the business tax is one of the four principal direct taxes or imposts on product. In its original form, it was established by the Constituent Assembly in 1791, but has been often amended. It applies to all occupations and professions not expressly exempt-

ed, and is designed as a tax on the profits of business. Those who are familiar with the French system of taxation will remember that it is built up entirely on the idea of substituting known for unknown factors, and that while the system has certain disadvantages of its own, in so far as it does not attain the ideal of precise approximation to the exact conditions of the individual, it possesses, at all events, the advantage of avoiding the haphazard guesses and arbitrary estimates which are almost inseparable from any democratic administration of personal or individual valuations.

Like our Dominion Income Tax, the charge per unit is fixed, but the total yield is uncertain. It is a national tax.

In Prussia the business tax dates from 1810, but was radically altered in 1891, when the basis of classification of business was made either the annual earnings of the business or the capital employed, the rate of taxation in either case being graduated with reference to the annual earnings. Up till 1893, local needs had been largely met by additions to the State tax, but by the reform of that year, which became operative in 1895, the business tax, the land tax, and the house tax, were handed over entirely to the local authorities, who were at the same time instructed to develop the system of fees, and what, in America, are styled "special assessments." It was in Prussia clearly recognized that it is to real estate and business income that the benefits of municipal expenditure mainly accrue.

Fiscal history, in short, amply bears out the statement of Professor T. S. Adams, that:—

"Business taxes are as old as organized business. They are all but universal throughout the world, and show no tendency to disappear with the passage of time. We have hundreds of them in the United States. Frequently with us the necessity of taxing business is not frankly acknowledged, and all sorts of indirect efforts are made to accomplish the same end under the guise of so called franchise taxes, incorporation fees, corporate excess taxes, and the like. These are in reality forms of business taxation, and, in my opinion, we shall never have even an approximately consistent scheme of taxation, until the necessity for separate business taxation is recognized, and imposts laid which are consciously designed to express the fiscal obligations of business as such."

The break down of the personal property tax is admitted everywhere. Very early in the history of Manitoba, as in Ontario and elsewhere, it gave rise to serious inequities. Owing to its failure to reach all classes of personal property it fell with excessive weight on those it did reach. In particular, it became a burdensome tax on the stock-in-trade of the merchant. This state of affairs led to its abandonment by the City of Winnipeg in 1893, and the substitution of a Business Tax such as already existed in Montreal and Quebec. It was not, however, based, as in these cities, on the rental value of the premises. At first the tax rate was the same as the tax rate on realty and was levied on an assessment of the capitalized annual rental value of the premises occupied. The assesment of

the capitalized annual rental value was determined by taking into consideration a combination of floor space and rental values, with a minimum and maximum rate per foot of floor space, according to the class of business.

The principle of floor space measurement seems to have been introduced in order to meet the objection that under a system based on rental value simply, the wholesale merchants would escape lightly compared with retail traders; but in practice this method, though it continued in operation till 1906, proved unsatisfactory, resulting in a system of taxation bearing no definite relation either to the amount of capital invested in the business or to its net profits. In 1907, therefore, the city council procured legislation enabling it to impose a tax at the uniform rate of  $8\frac{1}{2}$  per cent of the annual rental value of the business premises occupied; but this gave rise to certain difficulties in connection with the assessment, and lasted only one year. The Phippen Commission in 1908 reported in favour of rental value as the proper basis for the business assessment and against discrimination in the tax rate between different classes of business.

Accordingly the year 1909 saw the introduction of the present tax—a uniform rate of  $6\frac{2}{3}$  per cent on the annual rental value of the premises occupied. In the case of certain classes of business, such as theatres, public halls, skating rinks, business colleges, hotels, boarding houses, restaurants, dairies and laundries, are exempt from the business tax, but subject to municipal license.

The abolition of the Personal Property Tax, with its excessive burden on the stock-in-trade of the merchants, and the substitution therefor of the business tax, was widely believed to be partly responsible for the rapid development of Winnipeg as the distributing centre of Western Canada. It is necessary here, however, to bear in mind the complexity of the causes on which the growth of cities depends. Tax reform was probably at the best a very minor factor. In any case in 1900 Winnipeg's example was followed by the City of Brandon, which obtained an Act authorizing it to levy a tax of  $12\frac{1}{2}$  per cent on the rental value of business premises, since increased to 15 per cent, which it now is.

In 1906 the business tax was made generally available to all incorporated towns and villages in the province. At a rate not exceeding  $12\frac{1}{2}$  per cent—since increased to 15 per cent—of the annual rental value of the premises occupied. As in the cities the actual rental value in the judgment of the assessor, not the *bona fide* rent paid, is taken as the basis of assessment.

There is also statutory provision for the imposition of a special tax on the owners of lumber yards, also for a special tax on the owners of horses, cattle and vehicles not kept for business purposes, and for the taxation of telephone, telegraph and electric light

companies on the value of their personal property, and also certain occupations and professions.

In 1910 a committee appointed by the American National Tax Association, consisting of seven experts, under the chairmanship of Professor Seligman, unanimously approved of a graduated business tax as a substitute for the discarded personal property tax. The conclusion arrived at by this committee was as follows:—

"The rental paid is indeed no exact index of the prosperity of the business, but even in theory it is as close an approximation as the personal tax. The assessment of stock-in-trade proceeds on the assumption that the larger the stock the more prosperous the merchant. The business rental assessment proceeds on the assumption, that the larger the stock the greater will be the space required, and, therefore, the higher the rental; and while the business rental tax is not inferior to the stock-in-trade tax in theory, it possesses the advantage of working almost automatically, instead of spasmodically or not at all. It can be collected easily, certainly, and without undue inquisition and with reasonable fairness. While this business tax may not always be a correct measure of the proper contribution to public revenues, it is so far superior to the old haphazard personal property assessment that in the Canadian provinces where the system has been long in vogue no one desires a return to former conditions."

So much must be conceded. The rental value tax on business is as a fiscal instrument greatly superior to the personal property tax. It is none the less clear, from the whole tenor of the evidence placed before the Commission, that the practical operation of the business tax on its present basis leaves much to be desired. Annual rental value is, as between different classes of business, a very imperfect measure of the income earned. The system has been tried out in the cities and larger towns of the Province, and in the opinion of many who appeared before the Commission, while working fairly satisfactorily as far as operation is concerned, does not produce the revenue necessary for requirements as a supplement to the tax on lands and buildings, and, in many cases, appears to work unjustly and inequitably as between those engaged in certain classes of business, noticeably the retail merchant as compared to the wholesale merchant, and fails to reach adequately, and in many instances not at all, many persons in the community.

To amplify our views regarding the inequality between the retail and wholesale merchant, the fact is apparent and must be admitted, that under a tax on the basis of rental value, retail traders, who, by the nature of their business, are compelled to occupy highly rented premises on the leading thoroughfares, fare very badly as compared with wholesale merchants doing a much larger business and earning relative high profits.

So far, therefore, the Manitoba flat rate on rental values falls short of the ideal of taxation. Some approximation to this ideal may no doubt be made by differentiating between different classes of business, as is done, for example, by the Ontario Assessment Act

of 1904. There, however, as it happens, the basis of the classification is inequitable, representing, as it does, the old personal property assessment as it stood at the date of the Act—an assessment which the bulk of personality escaped.

The rental value tax has the further serious defect from the fiscal standpoint, that it fails productiveness. Relying, as it does, on an external index of business profits, it cannot be made to vary as the profits vary, and, therefore, cannot be levied at a high rate without the risk of seriously aggravating the existing inequalities incidental to its character.

A business tax differs essentially from a personal income tax. It is a tax on product levied on the business as such and not on the owner as an individual. It belongs to the class of "real" taxes, which are levied directly on certain objects regardless of the particular faculty or ability to pay of the owner or consumer, though, like every other tax, it must ultimately come out of the income of some person or persons. The business tax represents the State's share of the profits of business, which, by its expenditures, it has contributed to produce. The object, therefore, must be to tax the net profits of business; but no method of taxation which rests merely on external indicia or legal presumptions of business profit, such as rental value, floor space, gross receipts, etc., can be other than by its nature defective; for such external signs are but halting and unreliable guides to the average profits of any class of business, and no guide whatever to the profit earned in any individual enterprise.

A noted British writer on economic subjects, says:—

"From 1791 to the present day there has been a constant effort to make the impost on business more clearly proportioned to the profits of the taxpayer. The more just our legislation has tried to be, the more complicated it has become. It is by making new distinctions, adopting new and more numerous indicia, that the law has succeeded in eliminating some of the crying injustices in the assessment of the business tax."

Professor Adams, while holding that:—

"Perhaps the most severely logical form of business taxation would be one upon gross business at different rates for the various classes of trade and industry."

nevertheless expresses a strong preference for a business tax on the basis of net income.

"There is," he says, "no perfect measure of any tax. Net income is not a perfect measure, but it is a better measure than gross income. It encourages the infant industry. It spares every industry in the lean years. It fosters industrial experimentation. In practice it saves the legislature the invidious task of classifying the various rates that must be adopted if the tax is laid upon gross income or gross business. . . . In the long run the net income tax is the simpler; it wears better. Moreover, classified business taxes almost always look up to the net income tax as their final goal, and approach it more closely year by year."

Professor Bullock, in a communication addressed to the Chairman of the Commission, under date October 18th, 1919, says:—

"A business tax based on rental value results in inequalities between different lines of business, as your experience shows. This tax ought not to be abolished unless you can devise some substitute, since business ought to contribute something to the support of your municipalities. A tax on gross receipts of business enterprises would, very probably, be better than your present rentals tax, and you could adopt it with tolerable assurance that you were thereby increasing your revenue, and at the same time securing a fairer distribution of the tax. The tax on gross receipts is not an ideal tax, and I believe a tax on the net income of business enterprise would be better if public opinion is prepared to accept it. I would not advise you to adopt the tax upon net receipts, unless you can be reasonably certain that public opinion in your community favors it. This is a matter in which public opinion is important, because without the co-operation of the tax payers the administration of a tax on net income is very difficult."

The last report of the American National Association made in 1918, states as follows:—

"In the taxation of business various methods may be employed. The tax may be levied in the form of a fair indication of the profits of a business. It is evident that a tax of fixed amount, such as is often imposed by license taxes, even though the amount may vary for different trades and occupations, cannot, on account of its inequality, be recommended as an adequate method of taxing business. In connection with licenses imposed upon certain occupations, chiefly for the purpose of police regulation, a charge of fixed amount may be entirely wise and unobjectionable; but the case is very different with a tax levied with a view of obtaining revenue. External indicia of business profits may be adopted as the basis of a system of business taxation with very tolerable results. They produce a certain amount of inequality, since none of the indicia can lead to anything but a very rough approximation of business profits. A combination of several indicia, such as gross receipts, rental values of premises occupied, and the number of employees, might, together with a proper classification of occupations, and a carefully adjusted schedule of rates, result in a form of business taxation that would operate as well as, let us say, the French business tax; but the administrative difficulties multiply, as the basis of taxation is made more complicated, so that ultimately a point is reached where such a system becomes less convenient and in some ways more troublesome than a system which at the start adopts net income as its basis. The committee has come to the conclusion, therefore, that the proposed business tax should, except in certain cases, be levied upon the net income derived from business carried on within the State levying the tax. Prior to the coming into force of the federal income tax, it would probably have been unwise and impracticable to adopt net income as the basis of business taxation; but today every business concern of any considerable size is obliged to make a return of its net income to the federal government; and it is, therefore, both practicable and convenient to impose a business tax upon net income."

In a recent communication received from Professor Adams on the subject of the Business Tax, he states as follows:—

### 1. Merits of the Business Tax on Net Profits

"(a) Such a tax is highly productive and wholly practicable. Business concerns, for the most part, must necessarily reckon their profits annually. Such profits thus become a matter of record upon which not only the business concern itself, but its bankers, the stock holders of the company, if it be a corporation, and the credit agencies which determine its credit status, all

rely. The tax assessor thus has a record or basis from which to start. Furthermore, business men are not only for the most part honest and accurate in their bookkeeping, but they are ready to admit that no single basis offers so acceptable a measure of taxation, as the net profits of the business.

"(b) This basis satisfies not only our sense of equity, but it affords the best test of the benefits which the taxpayer derives from the community. Furthermore, the tax protects or fosters the new business concern in its years of development, spares the weak—spares indeed both strong and weak in the lean years of business depression—and encourages industrial experimentation. It is usually admitted, as a matter of theory, that net income is the best measure of ability to pay. The experience with State income taxes in the United States during the last decade proves beyond all question of doubt, the truth that it is a thoroughly practical tax. If what is theoretically the best has all the merits of practicability as well, if it stands the test of time and wears well, why accept anything less than the best?

"(c) The criticisms that it is inquisitorial, makes possible the leakage of trade secrets and confidential business information, and is likely to be widely evaded, are not confirmed by actual experience. It is really unnecessary to waste words in discussing these criticisms: They simply are not true of a sane tax, formulated in the spirit of reasonableness and reasonably well administered. After eight years experience in the administration of State and Federal income taxes, and many years experience in the administration of property taxes, I am convinced that a moderate income tax is much easier to administer well than a tax on real estate. The margin of error is smaller. The income tax is much more equitable.

"(d) It is worthy of note that the Committee appointed by the National Tax Association to prepare a plan of a model system of State and local taxation recommended, after exhaustive discussion, that the business tax should, except in certain cases, be levied upon the net income derived from the business carried on within the State levying the tax." While my own name appears as a member of this Committee I did not participate actively in the work of the Committee. It may, therefore, be not inappropriate for me to say that the statesmanlike report of this Committee impresses me as the wisest discussion of American State and Local taxation which has ever been put in print. The Committee was composed for the most part of practical men of affairs with many years of experience in the actual administration of taxes. The various alternatives were thoroughly considered. The mature and deliberate conclusion of the Committee is, that there should be a business tax, and that it should preferably be levied upon the net profits.

## 2.—Disadvantages of other Business Taxes

"(a) **Rental Value.** I have had no personal experience with business taxes based upon rental values, but such taxes have certainly not proved successful in France, and I infer from Canadian reports that they have not been satisfactory in Canada. It is difficult to see how they could be satisfactory. Rental value is frequently difficult to estimate; and it bears no necessary relation either to the benefit derived by the taxpayer from Governmental activity, or to the ability of the taxpayer to pay. The tax is, comparatively speaking, not productive.

"(b) **Gross Receipts.** Something may be said in theory for such a tax. But unless the rate be kept very low it becomes necessary to adopt different rates for different classes of business. This is likely to involve class conflict and bring grave political difficulties, with continued proposals, emanating frequently from class antagonism, to raise rates on particular classes of business or industry. Taxes on gross receipts or gross earnings are fertile sources of political discord, and a tax on gross receipts, if many different classes with different rates be adopted, is not easy to administer. It becomes necessary to place the particular taxpayer, frequently having many lines of activity, in his particular class or group. The

difficulty of administration is increased by the fact that gross receipts or gross earnings is not a separate or a simple concept. Space does not permit adequate discussion of this point, but if anyone believes that the tax is made simple by placing it upon a basis of gross income or receipts rather than upon net income or net profits, let that person attempt accurately to distinguish between (a) sales, (b) gross receipts, (c) gross earnings, and to classify properly under these headings rebates, discounts, depreciation, reserves for incurred but unpaid losses or expenses, and the like. I do not contend that gross receipts or gross income is a more difficult or more complex concept than net income or net profits, but I do contend that the additional simplicity achieved by employing the gross basis is not enough to compensate for the resulting lack of equity between taxpayers and the other practical disadvantages of the gross as distinguished from the net basis."

In these opinions we concur.

A tax on the net profits arising from business carried on within the municipality, offers, in our opinion, the fairest promise of conformity to the two great principles of (1) equity as between classes and individuals, and (2) productiveness adequate to the growing needs of the municipalities. The objection, as pointed out in the quotation from the American National Tax Association report, that might otherwise have been taken, on the score of difficulty of administration, to a business tax on a net profit basis, is now very much weakened, as applied to our conditions, by the existence of the Dominion Income tax, especially if that is supplemented, as we recommend, by a Provincial income tax for municipal purposes.

In certain cases, however, such as that of very small businesses for which income tax returns are not available as a guide to the net profits of the business, it may be expedient to retain the use of external signs, e.g., gross receipts or rental values of the premises; but such cases are likely to prove exceptional and relatively unimportant.

Coming now to the rate at which the business tax should be levied, it appears to us that the principle of progression which has a legitimate place in a personal income tax is here inapplicable. A business tax, as already indicated, belongs to the class of "beneficial taxes" in which payment for service rendered is the ruling principle; and we are not entitled to assume that a large business benefits more from municipal outlays than in proportion to the income earned. Simplicity and ease in administration, moreover, are important factors in determining the productiveness of a tax, and the practical difficulties and complications almost certain to arise in the attempt to apply a progressive scale of taxation to business might seriously lessen its productiveness, while increasing that "vexation" which, as Adam Smith says:—

"Though not strictly speaking expense is certainly equivalent to the expense at which every man would be willing to redeem himself from it."

For these reasons we recommend the substitution in the urban

municipalities in the province of a business tax levied on the basis of a fixed percentage of the net profits of business, for the present rental value tax of business and for the personal property tax where that still exists. We suggest, however, that for the year 1920 the present system in force be continued and that in the year 1921, and thereafter, the tax be levied on net profits of business instead of on rental value. We make no recommendation as to the percentage to be charged as a tax on the net profits of business, leaving that to the judgment and discretion of the Legislature.

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## PART 3 (B)

*Respecting the Inquiry as to the Advisability and Justness of  
Taxing Incomes in Addition to our Substitution for Other  
Methods of Taxation Now in Force in the Province.*

Under the existing system, the sources of tax revenue for general municipal purposes available to the municipalities of Manitoba are chiefly:—the Real Property Tax, the Personal Property Tax, or its modern substitute, the Business Tax, and Licenses.

In effect, however, the municipalities in Manitoba, as elsewhere, have had to rely chiefly for their revenue on the taxation of real property.

The personal property tax has almost been relegated to obsecurity, on account of exemptions in rural parts of the Province, and the business tax provisions, which have been substituted for it, in urban centres. These conditions, particularly the latter, were occasioned by reason of the fact that personal property, for taxation purposes, was found to be elusive, easily escaped taxation, and failed to reach the new kinds of property or wealth which modern civilization had produced. At the present time, therefore, this form of taxation may be said to be operative and applicable only in limited rural areas or unincorporated village centres not devoted to agricultural pursuits. In the early days of the Province when such wealth as then existed consisted of real estate, and, in a lesser degree, of tangible personalty, the failure to tax the latter fully, and to tax intangible personalty at all, was of relatively small moment, but as trade expanded and other forms of development took place, it soon became evident that personal property, both tangible and intangible, was not contributing its proper share of taxation, resulting in gross inequalities. Hence, as far as then thought possible, to ameliorate the existing unsatisfactory conditions referred to, a tax on business was provided for to supersede the personal property tax as respecting and affecting urban communities. The taxation, however, of many forms of intangible personalty, such as stock, bonds and other kinds of wealth, remained untouched, and remain so at the present time. The lifting of the tax burden by the additional revenue derived from the business tax has been slight, the result being that real estate is relied upon as the chief basis of taxation and the mainstay of municipal finance; and in this respect it would appear that no injustice is done, provided, of course, the extent of the charge is not too great or unequal.

Professor Bullock, referring to the subject in a recent address, delivered by him, said:—

“Not only is it a fact that real estate is and must be the chief source of local revenues, but it is true that, under modern conditions, this ought to be

the case. Nearly nine-tenths of the taxes levied upon property in the United States are for the use of local municipal governments, and little less than one-tenth are for the support of states and territories. The local taxes are expended in large measure for objects that tend to enhance or maintain the value of property. Allow streets, sidewalks and sewers to fall into decay, and you reduce real estate values in any locality. Withdraw police and fire protection, extinguish street lights, and otherwise diminish municipal services, and you undo the owner of real property. Personal property can usually be removed or sold, so that its value will not be greatly affected; it is not, like land, the permanent beneficiary of municipal growth and development. It is but just, therefore, that real property should be taxed for local purposes at a higher rate than personalty. A scientific method of classification must be based upon facts, and the first fact which it must recognize is that the heavy taxes needed at the present day to defray the increased cost of government must chiefly fall upon real estate."

In a discussion recently with Professor Bullock at Harvard University, on the system in use in Manitoba, as applicable to urban centres, he expressed his views in writing, as follows:—

"Your system of taxation in Manitoba is founded chiefly upon the land and building tax, and you will find yourselves under any conditions likely to arise, either now or later, to retain this tax as the foundation of your system. Your levy is upon the land and not upon the annual rentals, and this is by far the best method of taxing land and buildings in such countries as Canada and the United States. I believe that expert opinion would be unanimous upon this point. All you need is to provide suitable machinery for securing a full and fair assessment of real property, in case your machinery is unsatisfactory. I would not advise a tax on personal property in general. A tax on tangible personalty, such as stock-in-trade, live stock, etc., is perfectly practicable if public opinion in your province would favor it, but is very difficult to enforce unless it is strongly supported by public opinion. Intangible personalty you ought not to attempt to tax."

Professor Adams, in referring to the taxation of personal property, states:—

"It seems unnecessary to discuss this tax. It has been tried for generations in the United States, and it is not too much to say that nowhere at any time over an area of jurisdiction large enough to be significant, has it been well assessed and administered. It has one great virtue: It may be made highly productive, but with less cost of administration the tax on profits may be made more productive, particularly in urban or thickly settled communities, and obviously the profits tax is far more equitable than the tax on personal property. For this reason the tax on personal property has no claim for consideration in a State or Province where the Government has not become dependent upon the personal property tax. If such a tax is not already entrenched in the fiscal system it would be folly to introduce it."

While the principles set forth by Professor Bullock are doubtless correct in the abstract, it is equally to be borne in mind that personal property and other kinds of wealth and income nowhere bear their just proportion of tax burdens, and in many cases are not directly taxed at all, and it is precisely in those localities where their extent and importance are the greatest that the assessment is the least. The taxation of personalty is in inverse ratio to its quantity; the more it increases, the less it pays; and this sins against the principle of uniformity. It, therefore, becomes important to discuss all phases of the subject, in order to determine how

far the present system of municipal taxation in Manitoba is open to criticism from the standpoint of equity; it is also desirable to consider the principles which should govern a sound system of local taxation.

The services which our municipal governments are called on to perform, fall, broadly speaking, into two distant classes or groups:—specific and general services, respectively.

The first class includes those services which are preponderantly local in character, which, in other words, exclusively or mainly concern the inhabitants of the locality, and which confer upon the local taxpayers as a whole a direct and peculiar benefit taxation to the groups who benefit from the expenditure of the water supply, fire protection, public lighting, cleaning, drainage, provision and maintenance of streets and sidewalks, or public parks.

The benefit theory of taxation—the doctrine that the burden of taxation should be distributed in proportion to the service rendered by the State, is certainly untenable as applied to taxes in general; but in its application to benefits of the character above mentioned, it has still a considerable measure of force. Indeed one of the chief arguments for separating municipal, provincial and national taxation is that in this way we go far to restrict taxation to the groups who benefit from the expenditure of the revenue.

The chief gain of local expenditure accrues to those who own property in the district. Some advantages may be more evident in their effects than others, but in a broad general way the advance of a locality means an advance in the rent of its area. Professor Seligman, in his "Essays on Taxation," says:—

"The relation of the individual to the local community is somewhat different from his relation to the state at large. The town or city is to a certain extent an association of business interests. While, therefore, the obligation of the citizen to contribute to the general burdens should be regulated by the principle of faculty or ability, it is eminently proper that in the case of the local bodies more attention should be paid to the principle of benefits. A tax on real estate is a real tax, a tax on product; it is not a personal tax. Moreover, the real estate tax is an especially good local tax, partly because the benefits of local expenditure accrue primarily to real estate and thus increase the faculty of the owner."

But other classes, as well as real estate owners, share the benefits of local expenditure. Next to the owners of land and houses in this respect come those engaged in permanent occupations in the locality. The real estate tax should, therefore, be supplemented by a business tax, in the shape of a real tax, rather than of a personal tax.

There are sound economic reasons, therefore, why our system of municipal taxation should include, as it does, as leading ele-

ments, the tax on land and buildings, and the business tax, but while, in respect of expenditure on services preponderantly local in character, the principle of taxation in proportion to benefit clearly justifies taxation of the groups mentioned, it is impossible on this basis to distribute the burden of taxation between individuals within the groups, save in what may be taken as an extreme example of the type, that of local improvement rates, where the principle of "betterment" may be applied. In general, in distributing the burden of even "beneficial rates" between individuals, recourse must be had to the fundamental principle enunciated in Adam Smith's famous canon of Equality—the principle of taxation in proportion to faculty or ability to pay.

When we turn to the second class of services rendered by municipal governments—those of a general or national character, such as education, poor relief, police protection, public health administration and the administration of justice—the doctrine of taxation in proportion to service becomes wholly inapplicable. These, and similar functions, are assigned to the municipal governments not to secure a just distribution of the burden, but for administrative reasons, i.e., either for the sake of more effective and economical management and supervision, or to obtain the variety and flexibility required to meet differing local conditions. Services of this class are not primarily of an economic character, and the benefit accruing from them is not confined to the residents of the municipality that furnishes them, but is more or less diffused throughout the nation. They must, therefore, be provided for the imposition of taxes in their nature onerous to the local taxpayer; and for the equitable distribution of such burdens, taxation in proportion to faculty or ability to pay is the recognized ideal.

There is, it is true, no hard and fast line of division between the two classes of services and between the corresponding taxes. Nearly all beneficial municipal expenditures, e.g., that on public parks, is ultimately of some indirect advantage to the nation at large, while all municipal expenditure on services of a national character is clearly also of advantage to the local residents. This distinction is none the less valid and useful.

But while the importance and expensiveness of the general or national services undertaken by local authorities furnishes a strong argument for recognizing more fully in local taxation the principle of ability or faculty, the absence of any rigid line of division between the two classes of services strengthens the presumption, based on historical experience, against any attempt to assign definitely special taxes for special purposes. In this connection the opinion of Professor Nicholson of Edinburgh, is weighty:—

"In the course of progress we find that special taxation for special purposes has given way to general taxation for general purposes. The method of assigning particular revenues for particular expenses (e.g., the aids for making the king's son a knight, or marrying his eldest daughter) has generally fallen into decay, although it still survives in local taxation, and there are occasional reversion to this older method. Even in local taxation, however, it has come to be recognized that special rates for special services are, in many ways, uneconomical (e.g., separate rates for school, poor, roads, police, etc..)"

Now, the chief criticism directed against our existing system of municipal taxation in urban centres is that it fails to take sufficient account of ability to pay. The possession of land and houses, while doubtless it points to ability to pay, is in urban centres, especially, by no means the sole index of that ability. Even after we allow for the taxation of business, there still remain whole classes of citizens whose ability to pay is beyond dispute, and who, nevertheless, under our present system make no direct, or an insufficient, contribution towards the expenses of the municipal government, the financial policy of which they help to determine and the protection of which they enjoy. That they may indirectly contribute through the shifting of taxes is admitted; but the extent of this contribution, it is held, is of a varying and uncertain character. This inequity has steadily become more glaring with the growing wealth of society and the increasing variety of its forms other than real estate. What in earlier days was the most important form of wealth has in the course of progress become merely one of its many varied forms.

Our almost exclusive reliance on the real property tax, moreover, renders the municipal revenue system unstable. In times of real estate activity the tax base expands, and schemes involving heavy financial responsibility are lightly sanctioned only to become a dead weight when depression comes and the tax base rapidly contracts. An extreme example of this danger is furnished by the very recent experience of such cities as Edmonton and Vancouver, where the tax base was for a number of years restricted to land values only. With a system resting on a wider basis to which all citizens having ability to pay are made to contribute, the lessened ability of one group might be compensated by the increased ability of others. This would certainly have happened in Winnipeg, for example, during the war, when a severe depression in real estate values was accompanied by marked industrial and commercial prosperity.

That this criticism points to a very real defect in our fiscal system is beyond dispute; and the public discussion incidental to the growing consciousness of this defect, which is not confined to municipal taxation in Canada, has in its turn led to a clearer appreciation of the importance of the distinction between general and specific services, onerous and beneficial taxes.

On this continent a striking and suggestive attempt to solve the difficulty is seen in the tendency, so pronounced in the commonwealths of the United States within recent years, to supplement the taxation for municipal purposes of real property on the basis of its capital value by the taxation of persons progressively according to their ability to pay, as evidenced by their income. In the United States the attempt to make all contribute in proportion to their ability by means of the general property tax has long been an admitted failure. Experience there has at last brought the conviction, which had been reached at an earlier date in most other countries, that the direct taxation of intangible property for local purposes by local authorities is so uncertain and difficult as to be practicably unworkable without flagrant violation of the principle of formal justice. In agricultural sections where the forms of wealth are few and tangible, the general property tax is a fairly tolerable method of taxation, but with the development of industry and commerce and the multiplication of forms of wealth, often intangible, this tax becomes less and less equitable. While nominally a tax on general property, it gradually develops into a tax on real estate only.

The growing burden of municipal expenditure, and the escape of intangible property, have combined to make the movement towards a state income tax for municipal purposes, all but inevitable. It has grown rapidly in favour within recent years, and its adoption has been recommended by the leading authorities on public finance, including Professor Seligman of Columbia University, Professor Bullock of Harvard, Professor Adams of Yale and Professor Plehn of California. The State Income Tax has been adopted by a considerable number of the American states, including Wisconsin, Massachusetts, Connecticut, West Virginia, Oklahoma, Mississippi, Nebraska, North Carolina and South Carolina, and lastly, in 1919, by the State of New York, and it has been recommended by the State Tax Commission for California, and for general adoption by a committee of the National Tax Association in their "Plan of a Model System of State and Local Taxation."

It is true that in many of the commonwealths where an Income Tax exists, it has not been other than a very modified success, and in some an absolute failure, but the reason of this is found in the absence, in the case of such states, of the one condition essential to success, namely, **centralized administrative control**. Where, as in Wisconsin and Massachusetts, the administration of the tax has been placed in the hands of a permanent State Tax Commission, the Income Tax has been a phenomenal success. The Wisconsin Tax is one administered by the State for municipal purposes, the State retaining in its own hands only a percentage of the yield to cover cost of administration. In it the principle of infor-

mation at the source, as opposed to the principle applied in the British Income Tax of stoppage or collection at the source, has been found to work successfully. It must also be noted that it is primarily an urban tax, the rural communities contributing only a small percentage of the yield. This is in accordance with general experience, and with the views of the leading authorities, who are agreed that Income Tax administration is least effective in purely agricultural communities.

It is indeed extravagant to maintain, as was done by one witness before this Commission, that the Income Tax will probably in time become the only form of taxation, but, accepting the principle that general burdens should be met by taxation in proportion to faculty or ability to pay, there is a clear case for making the Income Tax an integral part of our tax system. It will always be necessary, however, to supplement income by other criteria of faculty.

On the subject Professor Bullock says:—

"There is no modern tendency anywhere to abandon property as the basis of taxation. The taxation of income has been greatly extended since the opening of the nineteenth century, but that has not prevented the re-introduction of property taxes in Europe, nor has it prevented the substitution of property for income as the basis of taxation in certain cases. . . . What has really happened is, that modern countries are using both income and property as the bases of taxation, according to the circumstances of the case; that they have found income taxes useful for some purposes and property taxes for others; and that the two imposts have been shown to be complementary and not mutually exclusive forms of taxation."

The objection taken by some witnesses before this Commission to the adoption of a Provincial Income Tax in Manitoba for municipal purposes, that it would compete with the Dominion Income Tax, and so lessen its productiveness, rests on a singular misapprehension. The sources of tax revenue are not watertight compartments. Every tax, whether Federal, Provincial or Municipal, imposed directly on the income, taxpaying classes, or indirectly shifted by competition to them, so far tends to lessen the income on which taxation can be levied. For all taxes fall on persons, though in many cases nominally imposed on things; all are in the long run open or disguised income taxes. Indeed most taxes take more out of income than if they were levied directly on it. An income tax in this respect differs fundamentally from a tax on a particular commodity.

Subject to the views presented aforesaid, and those hereinafter expressed, we are prepared to recommend the widening the tax base by the introduction of an income tax on all incomes received by residents in urban municipalities in Manitoba, as well as in those portions of rural municipalities which have urban characteristics.

In theory we believe this principle of taxation is both attractive and necessary. Any system which exacts payment from those that have the means to pay, relieves those that have not, taxes moderate incomes lightly and large incomes more heavily, makes strong appeal for popular favor, and has much to commend it on the economic side. The income tax principle was applied in Florence in the fifteenth century, and in France throughout the eighteenth century. In 1779 it was adopted in England, and though discontinued after the close of the war with Napoleon, it was reintroduced by Sir Robert Peel in 1842. England's example has since been followed by practically all the leading nations of the world. It has also been introduced, as previously observed, in many of the American States, and is also in use in the Canadian Provinces of Ontario, British Columbia and Prince Edward Island in certain degrees. It will, therefore, be appreciated that our recommendation for its introduction in Manitoba is not based upon a hypothetical foundation.

Mr. Thomas E. Lyons, a member of the Wisconsin Tax Commission, presents his views as follows. He says:—

"The most ardent advocate of the income tax will not claim that it is free from imperfections, or that it offers the final solution of all tax problems, but experience has shown that both in theory and practice it more nearly satisfies the accepted canons of taxation than any other single tax. Our review of the subject leads to the conclusion, first, that the income tax marks the latest step in the evolution of the effort to secure contribution to the support of government in proportion to ability to pay; secondly, that in one form or another it has been incorporated into the fiscal system of every civilized country in the world; thirdly, that in practical operation it has proved an efficient method of raising public revenue at a minimum of hardship to taxpayers; fourthly, that it reaches new sources of revenue, takes note of the productiveness of different classes of property, automatically adapts itself to changing conditions and graduates the burden accordingly; and fifthly, that as a supplement to other forms of taxation it can be utilized to advantage."

He goes on further to say:—

"Experience thus far has shown that the principal yield of the income tax comes from the centres of business and population. It is therefore primarily an urban tax. Milwaukee city alone contributes over 40 per cent of the taxable income assessed, and fifteen counties containing the principal cities furnish 75 per cent of the total for the state. Less than one-half of one per cent of the population in strictly rural districts are subject to the tax, and the yield is comparatively insignificant. The limited cash profits from agriculture, and the large exemptions, practically exclude farmers from the operation of the law. In several rural districts the yield is not sufficient to make up for the personal tax on moneys and credits and other property exempted by the Act. Inasmuch, however, as the revenue derived is mainly distributed to the districts which produced the income no serious injustice results."

And further:—

"The test of a tax is not whether it reaches the entire population, but whether it applies equally to all persons similarly situated. The income

tax satisfies this requirement by applying the same rate and imposing the same burden upon all persons who have the same income. The fact that those who have large incomes pay a larger tax is readily justified by their greater ability to pay and the greater sacrifice involved in the payment of a tax by those who have small incomes. Moreover, in the case of increasing public expenditures and growing demand for public revenue, it is not apparent why those engaged in business yielding liberal returns should not make corresponding contributions to the support of government. The income tax is the only one that reaches all classes of excess earnings."

Senator Ogden L. Mills, a prominent lawyer of New York City, and President of the New York State Tax Association, in an address delivered by him to that organization in 1917, said:—

"The income tax is the fairest kind of tax, because it taxes every man in accordance with his ability to pay. Taxes are paid out of income, and the income which a man enjoys is the fairest test that can be devised of his ability to contribute his share to the cost of government. A man who has made an unfortunate investment, or who owns a new business which has produced and made no return, is not in as good a position to pay taxes as the lawyer or professional man earning a large income, and yet the former, under a property tax, is obliged to contribute, while the latter escapes entirely. The income tax is the only tax that will reach the professional and salaried classes who enjoy big incomes which are today tax exempt."

A recent report of the special Commission in the State of Nebraska, on revenue and taxation, says:—

"The merits of the income tax are unquestioned. Among peoples well advanced industrially, it is an essential aid in bringing about an equitable apportionment of the tax burden. (1) As a test of ability it is a fairer basis than the value of property upon which the property tax rests, for the reasons pointed out elsewhere, that all kinds of property are not equally productive and not equally indicative of the ability of the citizen to pay taxes. (2) In the second place, it is needed to reach that considerable class of persons in each community who enjoy an income out of all proportion to the property owned. And in the third place it is desirable as a substitute for the troublesome personal property tax."

British Columbia has the distinction of being the only province in Canada, save Prince Edward Island, that levies an income tax for provincial revenue purposes. It was first imposed in 1897 as a tax on all persons with incomes over \$1,000, and the rate varied from 1½ per cent to 4 per cent. There have been repeated modifications since then, both in the classification of incomes and the rates imposed, but the tax has proved eminently successful from the standpoint of productiveness, and is now the largest individual item in the Provincial Revenue. The Royal Commission in its report in 1912, after an exhaustive survey of the evidence, stated that the income tax is generally regarded as the fairest tax, and recommended its substitution for the personal property tax. The desirability of this change has been admitted by the government, and the alteration will doubtless be made. The present tax is as follows:—The income of every person up to and including \$1,500 is exempt. The "taxable income" (or excess over \$1,500) of every

person is taxed on a graduated scale varying from 1 per cent on Class A, in which the "taxable income" does not exceed \$2,000, to 10 per cent on Class G, in which the "taxable income" exceeds \$20,000.

Professor Bullock, in reply to a direct request by the Chairman of the Commission, expressed his opinions in a written communication under date October 19th, 1919, as follows:—

"A personal income tax ought to be adopted in your Province whenever public opinion is ripe for it. It is the best tax which you can levy as a supplement to your tax on real estate, and I think it probable that in time most of the Canadian provinces and American States will come to adopt it. Whether the time has yet come in Manitoba, I am not able to judge. The tax ought not to be adopted unless the people are willing to favor adequate machinery for enforcing the tax, and are ready to accept it as a reasonable method in determining their liability for the support of government. The operation of the income tax depends wholly upon the conditions in which it is levied. With poor administration, excessive rates, and a hostile public opinion, an income tax becomes a mere tax on honesty, while under opposite conditions it can be enforced with substantial certainty and justice, and as successfully as most other laws. Some evasion there will be, necessarily, but it is possible for an income tax to be so drafted and administered as to command public favor and reduce the amount of evasion to a reasonable minimum. Wisconsin has already shewn that with proper methods of administration, a reasonable income tax can be collected with substantial certainty and completeness; and against Wisconsin's evidence, the experiences elsewhere under very opposite conditions count for little or nothing."

This same writer has further affirmed that:—

"Systems of taxation are the products of gradual growth, and are neither made nor re-made in a day. Out of a social cataclysm, like the French revolution, an entirely new system may emerge, but only in time of revolution can this be brought to pass. Changes in tax legislation of necessity take the form of gradual re-construction of existing laws, here a little and there a little, here a concession to progress, and there an adhesion to tradition. We must, therefore, remember that our present laws cannot be wholly performed at a stroke, and must expect that more or less compromise with existing methods, accepted beliefs, and even popular prejudices, will be inevitable. It is difficult to formulate any plan of taxation for community benefit, which will not in some way prejudice a few."

We concur with the foregoing views expressed by Professor Bullock. There is no doubt that to arrange a system of taxation a large part of which shall, on the whole, correspond as closely as possible to net revenues of individuals, and which shall take into account the variations in taxpaying ability, is a difficult matter, notwithstanding it has become a demand of modern civilization. Unless the system is in harmony with the external structure and the internal conditions of modern economic life, it is predoomed to failure. If the history of taxation teaches any one lesson, it is that all social and moral advance is the result of slow process, and that while fiscal conditions are continually modified by the working out of ethical ideals, these ideals themselves depend for their

realization upon the economic forces which are continually transforming the face of human society.

Professor Seligman puts it this way:—

"To the citizen of the modern state, taxation, however disagreeable it may be, seems natural, it is difficult to realize that it is essentially a recent growth, and that it marks a comparatively late stage in the development of public revenue; it is more difficult to realize that each age has its own system of public revenue, and that the taxes of today are different from those of former times; it is still more difficult to perceive that our ideals of justice in taxation change with the alteration in social conditions. Not only the actual forms of taxation, but the theories of taxation as well, vary with the economic basis of society. Fiscal conditions are always an outcome of economic relations. This is true even where the direct influence of political causes is traceable, for political changes are in the last resort dependent on economic changes. Finance and economics are inextricably intertwined. Like all the facts of social life, taxation itself is only an historical category."

We outline our views above expressed, and reproduce those of Professor Bullock and Professor Seligman, not with any idea of limiting our formed opinion that an extension of the base of taxation in the urban portions of the province appears to be necessary and advisable at the present time, but simply for the purpose of pointing out and emphasizing that conditions relating to and affecting the great problem of taxation are exceedingly kaleidoscopic, and that what may be considered adequate to meet the conditions today may wisely be deemed obsolete in a very short while. It is, therefore, wise, we think, that the public should thoroughly understand and appreciate the obvious fact, that the introduction of an income tax in Manitoba may not even under the best conditions afford all the relief that it is expected of it, and that as time goes on, and economic and social conditions change, and public expenditure increases, another general review of the whole situation may be found necessary, and new foundations laid; and so it is in all walks of life and works of human construction! Nothing is perfect in this world except that performed by the Great Ruler of the Universe. The most that we can do, or even hope to do, in things, as in our lives, is to add, here and there, a buttress, a pillar here and a column there, to render more secure and enduring the superstructure of human effort.

Continuing a discussion of the subject under consideration, we reproduce in full a communication recently received by the Chairman of the Commission, from Professor Adams of Yale University. Professor Adams states:—

"The literature on the subject of the Personal Income Tax is now so vast, American opinion now so nearly unanimous and the results of American experience so nearly conclusive—at least for the United States—that extended discussion seems unnecessary. The State or Provincial income tax is now a demonstrated success.

"(a) It is on the whole the cheapest tax to assess and collect of any of the major taxes. In Wisconsin the cost of administering the income tax has always been less than one and one-half per cent of the tax assessed, and in some recent years it has barely exceeded one per cent. The Federal income tax usually costs less than two per cent to administer and collect, and in recent years, with the high war rates the cost has sunk to less than one-third of one per cent.

"(b) What has been said above regarding evasion, and the so-called inquisitorial features of the business tax on net profits, applies equally to the personal income tax. With moderate rates and fair administration, the taxpayer has no excuse for dishonesty or evasion. I do not wish to convey the idea that there is no evasion. There is, and continual measures must be taken to keep such leakage to a minimum; but this leakage is small compared with the similar leakage which marks the property tax, even the tax on real estate.

"(c) If the rates are moderate the tax is not shifted. It does not increase the cost of living. This has long been an accepted conclusion of political economy. It is completely borne out by experience. The cost of living has risen more in countries like France, which make comparatively little use of income taxation, than it has in countries like Great Britain and the United States where income taxes now constitute the principal sources of public revenue. Taxes cannot be shifted merely because the taxpayer wishes to shift them. Force must be used to pass them on, i.e., the business man must withdraw his capital and thus reduce the supply of products before prices will go up; but business men will not move away or withdraw their capital from the place or industry in which it has been the most profitable to them, merely because of a moderate income tax. Assume that the tax rate is 8 per cent, a rather extreme rate, thus leaving the taxpayer 92 per cent of his net income. 92 per cent of the largest income he can make is still larger than 92 per cent of some smaller income and it will make no difference if the Province of Manitoba does adopt an income tax while surrounding provinces do not adopt it. They must have equivalent taxes, and taxes which the average taxpayer is likely to fear and dislike more than the income tax. No tax can be popular *per se*, but if a certain aggregate of taxes must be raised the taxpayer does as a matter of fact and experience prefer the income tax, to other taxes—after he has tried the income tax.

"(d) The difficulties and defects of the income tax are not those usually attributed to it, viz: evasion, inquisitorial features, driving business away and the like; but a real difficulty is found in combining the personal and business income taxes. This, however, can be surmounted without grave trouble.

"In general, personal income tax should be paid or assigned to the jurisdiction in which the taxpayer resides, and the business income tax to the jurisdiction in which the business is transacted. Assume, for purposes of illustration a merchant, a sole proprietor, who lives in jurisdiction A has his place of business in jurisdiction B, and who sells goods all over Canada. In my opinion he should pay personal income taxes in A for all profits and income withdrawn from his business, wherever earned. On the other hand he should pay business taxes in B for all profits earned in B, whether re-invested in the business or withdrawn from it. If his sales outside the Province are by travelling salesmen, i. e., if he has no fixed place of business without the Province of Manitoba, he should pay in Manitoba on the total profits of his business. On the other hand, if he maintains established branches in other Provinces, the profits fairly assignable to those outside branches should be exempt. They will be taxed, either by income or some equivalent tax, in the Provinces in which the branches are situated; and the Province of Manitoba will not desire to penalize the larger business concerns which originate and keep their legal residences within the Province.

"Some allocation or apportionment of the profits to the jurisdiction in which they are earned is therefore necessary, and other troublesome questions of jurisdiction arise, but the experience of Wisconsin and other

American States proves that these are matters of detail, and can be disposed of satisfactorily in a number of ways. The principal administrative problem is that of allocation, and upon this, after much study and experience in the State of Wisconsin, the State of New York, and the Federal Government, I have elsewhere written as follows:—

"As a practical method of allocation the best rule yet suggested, in my opinion, is to compute the net income of a business establishment as a unit and then distribute the net income in accordance with the location of the physical properties. This is, as it were, a fair return upon the investment, which must be recognized before the elusive elements of business are taken into consideration. Thereafter the business factors proper—the business of production, of marketing, of sale, and even of buying—may be roughly, but fairly, recognized by an apportionment in accordance with the expenditures for salaries and wages. These expenditures allocate themselves naturally and they measure perhaps better than any other simple standard the importance of the pure business factors.

"(e) The administration of the personal and business income taxes must be centralized and placed in expert hands—meaning by 'expert hands,' men of business experience and common sense, who can specialize in and give their entire time to the work of income taxation. Without this the income tax is likely to prove a failure, but such centralization of course does not mean that the proceeds should be retained by the central or Provincial Government. On the contrary most of the proceeds, after deducting expenses of administration, are in the States returned to the local Governments, and this seems to be a natural procedure which could properly be adopted in Manitoba. The details of this apportionment will vary with the conditions of the Province or State in question, and I have not sufficient acquaintanceship with the governmental structure of the Province of Manitoba to advise on this point. It should, however, present no grave difficulties."

Referring to the disposition of the income tax, alluded to above by Professor Adams, The American National Tax Commission in their last report, had this to say:—

"Whether the distribution of the income tax should be made upon the basis of the amount of the tax collected in each unit, or whether it should be distributed upon some other basis, is immaterial to our general plan of taxation. If the revenue from the tax is wholly to the local units, as is now the case in Massachusetts, the lightening of local burdens tends to reduce the pressure of the state tax."

We rather favor this latter plan—for the present at all events—so that full benefit will accrue to the real estate taxpayers in the local units. This, in a large measure, will remove the cause for complaints that real estate is required to assume too large a share of the cost of municipal requirements.

This same report contains an outline of what, in the opinion of the association, is a model system of taxation. This, according to the views expressed in the report, should comprise in part:—

- (a) A business tax based on net profits.
- (b) A personal tax on net income.

We reproduce the following very valuable extracts from the report relating to the personal tax on net income. That relating to the

business tax is hereinbefore referred to under the heading "Business Tax." The report says, amongst other things:—

"Whatever other purposes taxation may properly have, its fundamental purpose is to provide revenue which, it will be agreed, ought to be raised as equally, certainly, conveniently, and economically as possible. Until this fundamental purpose is achieved, we shall hardly find it worth while to consider what other purposes taxation may properly have. Therefore, the committee has confined itself to the one problem of immediate practical importance, which is that of devising methods by which the large revenues now required by state and local governments may be raised with the greatest practicable degree of equality, certainty, convenience and economy. Any proposed system of state and local taxation must, at the very outset, recognize certain existing conditions and conform to certain practical requirements, before it can be seriously considered as a basis for legislation. These conditions and requirements the committee has had constantly in mind. They may be stated briefly as follows.—

"(a) The proposed system must yield the large revenues which our state and local governments require at the present time.

"(b) It must be practicable from an administrative standpoint, that is, it must be capable of being administered by such means and agencies as the states have at their command and can reasonably be expected to provide.

"(c) It must be adapted to a country with a federal form of government.

"(d) It must represent as nearly as possible a general consensus of opinion.

"(e) It must not propose measures wholly foreign to experience and contrary to the ideas of the people.

"By a personal income tax is meant, a tax levied upon persons with respect to their incomes, which are taxed, not objectively as incomes, but as elements determining the taxable ability of the persons who receive them. This tax is better fitted than any other to carry out the principle, that every person having taxable ability shall make a reasonable contribution to the support of the government under which he lives. It is as fair in principle as any tax can be; under proper conditions, it can be well administered by a state, as Wisconsin and Massachusetts have proved; it is a form of taxation which meets with popular favor at the present time and, therefore, seems to offer the line of least resistance. The committee, therefore, is of the opinion that a personal income tax is the best method of enforcing the personal obligation of the citizen for the support of the government under which he lives, and recommends it as a constituent part of a model system of state and local taxation. Since the purpose of the personal income tax is to enforce the obligation of every citizen to the government under which he is domiciled, it is obvious that this tax must be levied only upon persons and in the states where they are domiciled. It is contrary to the theory of the tax that it should apply to the income from any business as such, or apply to the income of any property as such. The tax should be levied upon persons in respect of their entire net incomes, and should be collected only from persons and at places where they are domiciled. It should not be collected from business concerns, either incorporated or unincorporated, since such action would defeat the very purpose of the tax.

"We recommend that the rate of the income tax shall be the same for all kinds of income, and that the rates of taxation be progressive, the progression depending upon the amount of the taxpayer's net income. Concerning the precise schedule of rates, we offer certain general recommendations. The lowest rate should not be less than one per cent, and under present conditions we regard it as inexpedient for any state to impose a rate higher than six per cent. The classes of taxable income to which the various rates apply need not be smaller than \$1,000, and probably should not be larger. If the exemption to a single person be placed at \$600, we would recommend a tax of one per cent upon any amount of income between \$600 and \$1,600;

a tax of two per cent upon any amount of income between \$1,600 and \$2,600; a tax of three percent upon any amount of income between \$2,600 and \$3,600; a tax of four per cent upon any amount of income between \$3,600 and \$4,600; a tax of five per cent upon any amount of income between \$4,600 and \$5,600; and a tax of six per cent upon all income in excess of \$5,600. We present these figures merely for the purpose of illustrating our preferences, and make no definite recommendation except that the rates of the personal income tax should be moderate, and should be, as nearly as practicable, uniform.

"We believe that the amount of income exempted from the personal income tax should not exceed \$600 for a single person, and \$1,200 for a husband and wife, with a further exemption of \$200 for each dependent up to a number not to exceed three. This would give a maximum exemption of \$1,800 for a family of husband, wife and three children or other dependents. We recognize, however, that conditions may well differ in various states, and have decided to make no specific recommendations about the amount of the exemption granted to persons having small incomes. We limit ourselves to the above statement.

"We recommend that the administration of the personal income tax should be placed in the hands of state officials. This we regard as an indispensable condition for the successful operation of any state income tax, and we should be disinclined to recommend the adoption of an income tax by any commonwealth that is unwilling to turn over its administration to a well organized and properly equipped state department. Local administration of an income tax has never worked well, and in our opinion, never can operate satisfactorily. It is obvious, finally, that a state tax commission, or commissioner, is the proper agent to administer the proposed tax, and we desire to record our belief that satisfactory results are hardly to be expected if the administration is turned over to any other than state officials. Upon this whole question of administration, which is of the most vital importance, we are fortunate in being able to rely upon the authority of the opinions repeatedly expressed by the conferences of the National Tax Association. We are glad also to point to the experience of Wisconsin and Massachusetts.

"We further recommend that the personal income tax be collected from taxpayers, upon the basis of strictly enforced and controlled returns. The experience of Wisconsin and Massachusetts shows conclusively that, with good administration, a reasonable tax upon incomes can be collected in the manner we have recommended, with the general co-operation of the taxpayers and with the minimum amount of evasion."

In a most recent report of the State Tax Commission of North Dakota, in referring to what, in their opinion, would constitute an ideal tax system, they state:—

"It is never advisable in reform legislation to advance faster than the public mind. Laws, which are not understood or disapproved by the people, can be enforced with but indifferent success. The first problem of the reformer is the education of the people. After this is accomplished, the enactment and enforcement of laws are simple.

"This is especially true of taxation systems. Tax officials and tax experts do not differ materially as to what constitutes the best system of taxation. The great majority of men who have made a life study of taxation agree that a land tax, supplemented by an income tax and certain privilege taxes, would constitute an ideal system for securing the revenue to carry on the activities of the state and its local subdivisions.

"The income tax levied in proportion to the ability to pay, is unquestionably the most scientific of all taxes. It has been in vogue in England for more than a century, having been advocated and put into operation by that greatest of all English public financiers, the Younger Pitt. It is used today as the principal source of revenue in virtually all European countries.

"Public financiers have never been able to apply an income tax to land with anything like satisfactory results. It has been attempted time and again, but with indifferent success. A land tax undoubtedly becomes capitalized and is thus indirectly a tax upon income. A land tax according to value, or according to acreage, is in vogue the world over. It is possible that it will never be found desirable by students of public finance to discard the land tax.

"It is generally conceded by economists and statesmen that the tax on personal property according to value is an utter failure. All taxes according to value upon personal property should be abolished and in lieu thereof a tax upon incomes levied."

Professor Adams expresses his views regarding the essentials for a proper administration of an income tax, as follows:—

"The opinion is practically universal in the United States among qualified authorities, that in the administration of an income tax a permanent tax commission is expedient. So far as this work is purely administrative, i.e., is concerned with the appointment of men, the certification of assessments, and the actual collection of the taxes, the final authority may well be concentrated in a single head, the chairman or president of the commission; but much of the work is quasi-legislative or judicial in character. Allowance for depreciation must be reasonable, valuations must be made to determine gain or loss, the law must be interpreted in important regulations and decisions, sometimes when the statute is silent, a little law has to be made. Such work is better performed by a commission than by a single man. Different points of view should be represented, and, if possible, different sections of the Province given a voice."

We have hereinbefore referred to the fact that an income tax is primarily an urban tax, and in rural parts affords little or no revenue.

Professor Adams states:—

"The income tax yields little or no revenue in rural or farming districts, and for that reason I would not recommend it to farming communities; but for thickly settled manufacturing and urban communities, it is bound to spread and in the end to supplant the relatively unjust and unfair tax on personal property."

This seems to be the prevailing opinion everywhere.

In the income tax provisions of the Province of Ontario we find that the income of farmers derived from the produce of their farms are expressly exempted from taxation under the income tax law.

We have carefully and fully considered this feature, and recommend that the provisions of any general income law that may be enacted in this Province, be confined wholly and exclusively to urban communities.

It is to be borne in mind that the application of a provincial income tax to the farmer would, in any event, be lost energy, in that, if such were imposed, and the amount derived in each municipality was returned to the source derived, it would be equivalent

to travelling north by south. Everywhere throughout the Province in the rural parts, the farmer is satisfied to pay his taxes on local land assessment for municipal objects, and on equalized assessment for judicial district and provincial purposes. This, in our opinion, is sufficient, and meets all possible reasonable exigencies, and effectively and equitably deals with the situation.

We approve of the following exemptions from taxation under any income Act that may be enacted in this Province:—

**Exemptions:**

- (a) Of an unmarried individual \$1,000.00.
- (b) Of husband and wife living together as a family unit, \$1,500.00.
- (c) Of a widow or widower who is actually maintaining child or children \$1,500.00.
- (d) For each child under the age of 18 years, residing with and actually supported by the taxpayer, \$200.00
- (e) For each child over the age of 18 years who is wholly dependent on account of mental or physical disability, the sum of \$200.00.
- (f) For each orphan child under the age of 18 years, to be allowed to trustee, guardian or executor paying for such child the sum of \$1,000.00.

**And as not liable to taxation:**

- (a) The naval and military pensions payable by the Dominion of Canada, or by the Government of Great Britain.
- (b) The salaries of Consuls and Consular Agents who are citizens of the country they represent, and who are not engaged in any other business or profession.
- (c) The income of any religious, charitable, agricultural and educational institutions, boards of trade, and other of such institutions as are not carried on for the purpose of profit.
- (d) The income of labour organizations and societies and of all benevolent and fraternal beneficiary societies and orders.
- (e) Incomes of clubs, societies and associations, organized and operated solely for social welfare, civic improvement, pleasure, recreation or other non-profitable purposes, no part of the income of which enures to the profit of any stockholder or member.

**And as proper deductions from gross income:—**

“(a) Payments made within the year for wages of employees and salaries, if reasonable in amount, of officers of corporations or for services of co-partners or members of a firm, provided that such deduction claimed be for services actually rendered in producing income, and further provided that the names and addresses and amount paid such employees or officers be furnished.

“(b) All ordinary and necessary expenses and such bonuses paid to employees actually paid within the year out of the income in the maintenance and operation of the business and property, which expenses shall include a reasonable allowance for depreciation by use, wear and tear and exhaustion of property from which the income is derived, and also all interest paid during the year on indebtedness incurred in the operation of the business or calling of such person from which the income is derived; provided that such person reports the amount so paid, the form of indebtedness, together with the name or names and addresses of the parties to whom such interest was paid.

“(c) Losses actually sustained within the year in the operation of the business or calling of the person, not compensated for by insurance or otherwise.

“(d) Sums paid by such person on his own behalf within the year for taxes imposed in respect of real property, within the Province, exclusive of local improvements taxes.

“(e) Dividends or incomes received by any person from stocks, shares, or interest in any co-partnership, corporation, joint stock company or association, the income shall have been assessed provided that when only part of the income of any co-partnership, corporation, joint stock company or association shall have been assessed, only a corresponding part of the dividends or income received therefrom shall be deducted, and provided further, that said co-partnership, corporation, joint stock company or association report the name and address of each person owning stock or having such interest and the amount of dividends or income paid such person during the assessment year.

“(f) All inheritances, devises, and bequests received during the year.

“(g) No deduction shall be allowed against gross income for wages, salaries or other remuneration paid or bonuses or other payment for donation made by any person or persons unless the name and address and amount paid in each case shall be furnished. Such return shall be made and delivered without notice or demand

being made therefor, in each year, at such times as may be prescribed by the Tax Commission on forms furnished for such purpose.

“(h) No deduction shall be made against gross income for rents or interest paid by any person unless the name and address and amount paid shall be furnished.”

**And also the following tables of rates upon the incomes of all persons:—**

(a) On the first one thousand dollars of taxable income or any part thereof, at the rate of one per cent;

(b) On the second one thousand dollars or any part thereof, one and one-fourth per cent;

(c) On the third one thousand dollars or any part thereof, one and one-half per cent;

(d) On the fourth one thousand dollars or any part thereof, one and three-fourths per cent;

(e) On the fifth one thousand dollars or any part thereof, two per cent;

(f) On the sixth one thousand dollars or any part thereof, two and one-half per cent;

(g) On the seventh one thousand dollars or any part thereof, three per cent;

(h) On the eighth one thousand dollars or any part thereof, three and one-half per cent;

(i) On the ninth one thousand dollars or any part thereof, four per cent;

(j) On the tenth one thousand dollars or any part thereof, four and one-half per cent;

(k) On the eleventh one thousand dollars or any part thereof, five per cent;

(l) On the twelfth one thousand dollars or any part thereof, five and one-half per cent;

(m) On the thirteenth one thousand dollars or any part thereof, six per cent;

(n) On the fourteenth one thousand dollars or any part thereof, six and one-half per cent;

(o) On the fifteenth, sixteenth, seventeenth, eighteenth and nineteenth one thousand dollars, or any part thereof, seven per cent;

(p) On the twentieth one thousand dollars, or any part thereof, eight per cent;

(q) On any sum of taxable income in excess of twenty thousand dollars, nine per cent.

In referring to income rates, Professor Bullock says:—

"No rate upon any class should be higher than can be collected with reasonable certainty; none so high as to drive out of a community persons or capital or industry; and it will be recognized that any excessive rate must result in loss of revenue, injury to industries and general demoralization. If the proportion is small, the burden is more cheerfully borne and the collection of the tax correspondingly easy; while as it increases, the temptation to evade becomes stronger and the process of collection more difficult."

After most thoughtful consideration we cannot affirm or give assent to the principle set forth in a draft bill of the City of Winnipeg, submitted at the 1919 session of the Legislature, that:—

"In receiving and collecting said income tax, the tax collector shall treat as payment of or on account of the income tax payable hereunder; and shall allow and give credit in respect thereof to the taxpayer all taxes imposed by the City (but not including any local improvement assessment) actually previously paid for the year in which the income tax hereunder is being collected in respect of real property within the city, belonging to such taxpayer; and shall also treat as payment of or on account of said income tax, and give credit to the taxpayer for all payments made in respect of business tax assessments for such year."

or to its crystalization into any income tax legislation in the Province.

It must be manifest that the introduction of such a provision in any income tax law would largely destroy and render abortive the very objects aimed at, namely, the substantial increase of revenue.

We are supported in this view by the opinions, given separately, of two of the leading political economists on the North American continent, men of national and international reputation, and of wide and varied experience in the drafting and operation of income tax laws.

Professor Bullock, of Harvard University, says, in a communication addressed to the Chairman of the Commission, under date November 10th, 1919, as follows:—

"I have looked over the draft of the proposed municipal income tax law. I have examined particularly Section 34 on page 14 of the Act,\* and am of the

\*Referring to City of Winnipeg Bill.

opinion that it would be a great mistake to allow, in connection with your proposed income tax, credits for the amount of other taxes paid during the year, as this section seems to do. The effect of this section would be practically to offset other taxes against the amount of income tax assessed, which would not only impair the revenue but lead to an enormous amount of lost motion. It would mean that hundreds of income tax statements would have to be made and hundreds of income taxes assessed only to find that no tax was actually due from the taxpayer. Wisconsin has tried this thing out thoroughly, and the Wisconsin Tax Commission is thoroughly sick of it, and has recommended its repeal.

"In an income tax law it is proper to treat other taxes as a deduction from taxable income. In other words, if a man pays \$500 of taxes in any year, his taxable income for that year ought to be diminished by that amount, but this is as far as an income tax law should go. I had occasion last winter to thresh the whole subject over anew in connection with the work I did on the New York state income tax, and all that I then learned confirmed me in the opinions I had previously formed, after careful study, to the effect that it is highly undesirable to allow other taxes which a man pays to be offset from the amount of his income tax."

Professor Adams, similarly expressed his views as follows:—

"You ask my opinion about the propriety of crediting against the proposed income tax, the amount of any tax paid on (or in respect of) property or business. Your question, as I understand it, is not about the propriety of treating such taxes as deductions from gross income in computing net income, but about the propriety of permitting taxes in respect of property and business to count dollar for dollar in payment of the income tax."

"In answering your question it will be convenient to deal first with the proposed credit on account of (property) taxes on real estate."

**"1. Taxes on Real Estate.** Such taxes are essentially taxes in rem whether they are measured by the capital (market, cash or fair) value or by the annual value. The owner of the property may have no net income for the year in question; he may derive no net income from the property in question; he nevertheless must pay the tax because, as stated above, it is on the property, not on the person. The property tax is thus essentially different from the personal income tax, which is adjusted to the net capacity of the individual to pay, ascertained in such a way that losses in one line of activity offset gains in another line of activity. The property tax cannot be offset against the personal income tax because they are essentially different things."

"Furthermore, such property taxes cannot correctly be said to be borne by the taxpayer. In Canada and the United States, where real estate taxes carry a very large part of the trade burden it is plain that such taxes do not diminish the income of the recipient by the full amounts paid. In buying real property the purchaser discounts or amortizes the ordinary tax burden. He pays less for the property than he would pay if there were no taxes. In large part he buys tax free. The purchaser shifts the burden largely from himself to the previous owner. The selling value of the property tends to be reduced by the capitalized amount of the tax burden. When the purchaser pays these taxes he is merely paying something which he has provided for and for which he has been compensated in advance."

"There are additional practical reasons of great importance why the person who pays real estate taxes may not properly credit them against his personal income tax:

"(a) All over the world real estate carries a specially heavy burden of taxation. This is an almost universal phenomenon. It is equitable and proper as well as prevalent. This special burden as explained above is carried by the

land not by the landowner. Moreover, real estate benefits in part by the "unearned increment." It is hardly necessary to say that many erroneous conclusions are based on the fact that the "unearned increment" is real, and that many fiscal crimes have been committed or attempted in its name. But the truth remains that the owner of real estate derives a great benefit from mere growth, the development of business, art, and from the general expenditures of the Government. He may therefore be called upon to pay a special tax.

"(b) The other practical consideration is the great benefit which owners of real estate may fairly expect to derive from the proposed new system of income taxation. The income tax will not be introduced for fun. It is needed to pay expenses which must in some way be met. If the income tax is not introduced to meet the increasing financial burdens of the Government, will not real estate be compelled in large measure to bear the growing burden? The income tax is thus being introduced in large measure to save real estate. The owner of real estate is receiving all that he can legitimately demand in freedom and exemption from a new burden which, without the income tax, would necessarily fall largely on his shoulders. He cannot ask fairly in addition to cut down his share of the income tax by using the property tax which he pays as a credit or offset.

"Business Tax. Business taxes should not be offset against the personal income tax because the two taxes imposed for different purposes and to satisfy two distinct fiscal liabilities. The personal income tax is imposed upon the taxpayer at his domicile in proportion to his ability to pay, because of the allegiance which the citizen owes to the Government under which he immediately lives, for the protection it affords, the schools which it maintains, the beneficent institutions which it supports. The business tax, however, is imposed at the place where the taxpayer earns his income, as a contribution toward the expenses which the Government must meet in maintaining suitable conditions for business. The taxpayer frequently conducts his business in a jurisdiction other than that in which he lives. Both jurisdictions may properly levy a tax on net income. The business tax may be (or in respect of) gross sales, rental value floor space, or net income, etc., but whether on basis of net income or something else it is distinct and different from the personal income tax, and has for present purposes no necessary connection with it.

Here one finds the real mistake of those persons who propose to offset property and business taxes against the personal income tax. They are consciously, or unconsciously, single-taxers—advocates not of a single tax on land but of a single tax on income. They start out with the assumption, often unconsciously, that the personal income tax is the sole and only correct tax, and then they naturally and logically desire to offset or credit against it all other taxes which they pay on different bases.

"History and experience amply prove that there are a number of sound and separate bases of taxation: Land is one; business is another; personal ability to pay is another. No one ever proposed to offset or credit against the income tax a local improvement assessment, or, as they are called in the States, a special assessment or betterment tax. Here it is very plain that the local improvement or special assessment is a separate thing, justified on grounds entirely different from those which explain and justify the personal income tax, but the property tax and business tax equally, if not so plainly, separate and distinct from the personal income tax."

We further recommend that the administration of any income tax law that may be enacted be wholly administered by the Tax Commission, save that the tax collections be made by the local authorities.

Evidence was submitted to the Commission in favor of an income tax by the undermentioned.

Name	Occupation	City, Town or Municipality	Reference
			Summ'y Proceedings
Bates, Wm. H. ....	Assessor .....	Brandon .....	Page 16, Vol. 1
Campbell, R. J. ....	Rep'g. Retail Mer.....	Brandon .....	Page 47, Vol. 1
Box, Albert J. ....	Resident .....	Belmont, R.M. Strathcona .....	Page 56, Vol. 1
Hopkins, J. ....	Councillor .....	Glenwood .....	Page 69, Vol. 1
Dunham, H. M. ....	Resident .....	Portage la P. ....	Page 81, Vol. 1
Atcheson, J. T. ....	Resident .....	Morden .....	Page 84, Vol. 1
Milne, C. C. ....	Resident .....	Morden .....	Page 86, Vol. 1
McAulay, Archibald	Solicitor .....	Morden .....	Page 90, Vol. 1
Aikins, W. A. ....	Hdwe. Merchant .....	Morden .....	Page 91, Vol. 1
Peter, Spence .....	Reeve .....	Brenda .....	Page 99, Vol. 1
Southeran, J. S. ....	Reeve .....	Pembina .....	Page 112, Vol. 2
Rheaume, Z. H. ....	Sec.-Treasurer .....	Ste Rose .....	Page 117, Vol. 2
Malgot, John .....	Gen. Merchant .....	Ste Rose .....	Page 124, Vol. 2
Cannon, J. H. ....	Sec.-Treasurer .....	Minitonas .....	Page 126, Vol. 2
Castle, Geo. L. ....	Reeve .....	Dauphin, Rural.....	Page 140, Vol. 2
Gorby, J. A. ....	Sec.-Treasurer .....	Dauphin, Rural.....	Page 145, Vol. 2
Coutts, Wm. ....	Assessor .....	Ochre River .....	Page 150, Vol. 2
Ramsey, E. A. ....	Gen. Merchant .....	Dauphin Town .....	Page 154, Vol. 2
Hunter, G. A. ....	Resident .....	Dauphin Town .....	Page 160, Vol. 2
Sutherland, C. C. ....	Assessor .....	Strathclair .....	Page 207, Vol. 2
Card, T. J. ....	Merchant .....	Neepawa .....	Page 212, Vol. 2
Hamilton, P. ....		Neepawa .....	Page 217, Vol. 3
Murray, Chas. G. ....	Sec.-Treasurer .....	Rapid City .....	Page 329, Vol. 3
Dobbs, Frank .....	Sec.-Treasurer .....	Shoal Lake, Rur'l.....	Page 350, Vol. 3
Brown, W. G. ....	Mayor .....	Minnedosa .....	Page 357, Vol. 3
Campbell, R. J. ....	Retail Merchant	Brandon .....	Appendix, Vol. 1
Crawford, W. E. ....	Association		
Winnipeg Suburban	Municipal Ass'n. ....	Winnipeg .....	Appendix, Vol. 1
Sheppard, C. D. ....	Real Estate .....	Winnipeg .....	Page 247, Vol. 1
Fraser, A. M. ....	Capitalist .....	Winnipeg .....	Page 285, Vol. 2
Harris, J. W. ....	City Ass't. Comm'r.	Winnipeg .....	Page 292, Vol. 2
Hugg, J. B. ....	Manufacturers Ass'n	Winnipeg .....	Page 377, Vol. 2
Thompson, B. W. ....	Barrister .....	Winnipeg .....	Page 552, Vol. 3
McMillan, N. T. ....	Financial Agent .....	Winnipeg .....	Page 573, Vol. 3
Melsted, S. W. ....	Representing Retail Mer. Association.....	Winnipeg .....	Page 621, Vol. 3
Shanks, R. H. ....	Board of Valuation and Revision .....	Winnipeg .....	Page 749, Vol. 4
Irish, Wm. A. ....	Contractor .....	Winnipeg .....	Page 875, Vol. 4
Bond, A. S. ....	National Trust Co.....	Winnipeg .....	Page 979, Vol. 4
Watts, E. W. ....	Assessor .....	Fort Garry .....	Page 1005, Vol. 5
Nichol, R. R. ....	Ass't & Tax Comm'r Can. Trans. Ry. ....	Winnipeg .....	Page 1082, Vol. 5
Hill, Wilson .....		Winnipeg .....	Appendix, Vol. 2
Donley, L. W. ....	Assessment Comm'r.	Winnipeg .....	Appendix, Vol. 2
Clark, A. B. ....	University of Man.....	Winnipeg .....	Taxation in Alta. and B.C.
Clackson, Geo. ....	Sec.-Treasurer .....	Saskatchewan .....	Page 246, Vol. 3

NOTE—The Council of the City of Winnipeg also expressed itself in favor the imposition of an income tax.

## PART 4

**TAXATION OF REAL PROPERTY.**

Both abstract reasoning and historical experience justify the conclusion that the mainstay of the local revenue system must be the real property tax. Personal property cannot be effectively localised for purposes of taxation. Its basis under modern industrial and commercial conditions is no longer local but national or international. It is, therefore, unsuitable for local taxation. The real property tax on the other hand has a purely local basis, and is thus so far well adapted for local administration, which, moreover, is likely in this case to be more efficient than national administration, since the assessment and taxation of real property presumes an intimate knowledge of local conditions.

"Thus," says Professor Seligman, "everywhere we find local taxation coming more and more to assume the form of a tax on real estate. In some countries, as in England and Australia, this is now the fact by law. In some places, like the more developed industrial centres of the United States, it is now virtually a fact by custom. In France, indeed, the movement has only just begun, but is quite perceptible; while in Germany the well intentioned reforms of the early nineties have been in part blocked by the selfish but unreasoning opposition of the land-owners, who do not quite realize the true economic significance of the process."

Further, as explained elsewhere, the benefits of local expenditure accrue primarily, though by no means exclusively, to the owner of real property, and so increase his faculty or ability to pay. The real property tax is, in other words, in large measure a **beneficial tax**, and thus from this standpoint also real property forms an especially fitting basis of local taxation.

There are accordingly several cogent reasons why the taxation of real property has tended more and more to become the special prerogative of the local authorities. For the Dominion Government in this country, for example, to encroach on the field of real property taxation would, in the light of both history and theory, be a distinctly retrograde step. But while its constitutional right to take such a step is unquestionable, that right will in all probability never be exercised, for by long established custom the taxation of real property has been conceded to the local authorities.

**Property Versus Income as the Basis of Taxation.**

The question has been raised whether real property should be assessed, for the purpose of local taxation, on the basis of its capital value as property, or on the basis of its annual yield or rent.

In the United States and Canada, real property is everywhere assessed for taxation on its Capital Value; and this method is

approved by the leading American economists. In Europe, on the other hand, it is usually assessed on its annual rental value; and in Great Britain the local rates—the degenerate survival of what was, in its origin, of the nature of a local income tax—are levied on the annual rent.

In favor of the direct tax on the income or rent it is argued by Professor Bastable, the leading British authority, that:—

"Taxation that falls on capital in the strict sense must diminish the sum of the community's wealth, a process that cannot continue indefinitely. In using property as the basis for taxation there is always a danger of encroaching on the accumulated resources of society. A second obstacle lies in the fact that property is not really a fair gauge of taxable capacity. Some forms of wealth give a lower return than others, and in special cases may even involve outlay. If income or revenue is on the whole a satisfactory standard for taxation, a property tax, unless carefully balanced by other charges, is unjustifiable. It is the result of a confused idea as to the true measure of taxation."

On the other hand, it is maintained that in a modern society, where land is continually being bought and sold, the capital value will, approximately, be the capitalized value of the annual rent. But to this general proposition there are important exceptions. Where, for example, land in the neighborhood of a growing city is not yet ripe for building, but has a speculative building-site value, a system of taxation on capital value, may well impose a very much heavier burden than would taxation on the annual value or rent. A similar case arises where, as often in our cities, land though built on is not turned to its best use, but is merely covered by temporary or obsolete buildings. Under the British system of taxation on the annual rent, it would be lightly taxed; whereas, under our system of taxation on the capitalized value of its potential yield, it bears a much heavier burden.

It is, however, just this feature of the system of taxing on capital value—that it appears to reach the land speculator—that is its chief merit in the eyes of its leading supporters.

"In the case of the tax on land especially for local purposes," says Professor Seligman, "property is a better index of fiscal obligation than the yield or the rent of land, simply for the reason of speculation in urban land. The speculative property value of a piece of land may be far greater than the capitalized amount of the actual rent or rental value. Just as we are only beginning to catch up with Europe in a recognition of the fact that yield or income is a better test than property in general, so Europe is only beginning to catch up with us in recognizing the fact that for local land taxes property or selling value is a better test than rent or rental value."

Again, the author says:—

"It is an undoubted fact that real estate is often held for speculative purposes, and that it is the duty of the community not to encourage such speculation by exempting vacant land from taxation."

Similarly, Professor Bullock says:—

"Europe, by taxing land upon an income basis, unduly favored the individual in question (the speculator), and of late has shown some inclination to substitute property for income as the basis of real estate taxation. In the United States, where taxation upon capital value was the long established practice, we have avoided for the most part such conditions as have existed in European cities; and no one would seriously propose to tax land, exclusively, or even principally, upon an income basis. In the case of real estate, property is so far superior to income as the basis of taxation as to leave little room for argument."

With specific reference to the municipal tax system of this Province, the same authority, in a communication to the Chairman of this Commission, says:—

"Your system of taxation in Manitoba is founded chiefly upon the land and building tax, and you will find yourself obliged under any conditions likely to arise, either now or later, to retain this tax as the foundation of your system. You levy it upon the value of the land and not upon the annual rentals, and this is by far the best method of taxing land and buildings in such countries as Canada and the United States. I believe that expert opinion would be unanimous upon this point. All you need to do is to provide suitable machinery for securing a full and fair assessment of real property, in case your present machinery is unsatisfactory."

In any case, while there has been very general complaint, more especially in the cities, to the effect that the existing tax rates on real estate are excessive, there has been no general request for the displacement of property by annual rental value as the basis of the real property assessment. While, therefore, some may consider the latter to be, in the abstract, the more equitable basis, we cannot, in view of the fiscal history, existing conditions, and prevailing ideas of the Canadian people, advise a departure from the present system under which real estate is assessed for taxation on its capital value.

To substitute annual rental value as the basis, would at once relieve from taxation a considerable proportion of the real property the revenue from which, under the present system, contributes to the support of municipal government, and is the security for municipal indebtedness.

#### Capitalization or Amortization of Taxation.

With regard to the bulk of the real property tax, moreover, that is, so far as it is unequal and onerous, and apart from any recent increase, there is much force in the saying, "An old tax is no tax." The present holders of real property have bought it subject to the tax burden, and in the price paid for it they have doubtless taken into account not merely the actual rate of the tax at the time of purchase, but the discounted value of any expectation of a rise in the rate. To that extent they do not bear the burden of the tax, and are merely paying in instalments as taxes what they

would otherwise have had to pay in the shape of a higher price for the property. To that extent the sufferers are the sellers who obtained by so much a lower price for their property than they would otherwise have got. There is a wealth of economic authority in support of the position thus stated by the late Sir Robert Giffen:

"The mere fact that particular individuals would gain by the remission of certain taxes, such as rates, does not prove that the burden at present falls upon them."

By a large and sudden reduction of the real property tax the present owners would clearly gain. But the above mentioned consideration certainly suggests the reflection that the burden of taxation actually borne by the present owners of real estate in Winnipeg is in general overestimated.

That there are undoubtedly exceptional cases of great hardship must be recognized; but in all progressive communities there are unmerited gains and undeserved losses to individuals. Fiscal, like other laws, however, must be based on general principles, not on exceptional cases.

#### Shifting and Incidence of Taxation.

A consideration of the principles that govern the shifting and incidence of taxation rather tends to strengthen this position.

The determination of the ultimate incidence of taxation is one of the most difficult and complicated subjects in the whole field of economic science, but at the same time both in theory and practice it is of the utmost importance. In the absence of a correct solution of the problem of incidence, our knowledge of the whole subject of taxation must be superficial and our judgment on practical problems unreliable. How can we tell whether any given arrangement of taxation is equitable unless we know not merely the immediate and apparent impact, but the real and ultimate incidence?

"The real incidence of tithes, of import duties, and of local rates," says Professor Bastable, "has been hotly debated at many a dinner table, and in many a tavern, and very positive conclusions have been reached in entire ignorance of the grave difficulties that surround any attempt to determine accurately these and similar points. It takes some training to see that confident decisions as to the division of rates between landlord and tenant, or of duties between producer and consumer, cannot be made in a ready and off-hand way. Such is, however, the case. The complications are too great; the subtle modes in which pressure applied at one point is diffused over a wider area, are too hard to be followed without a clear appreciation of the general conditions, and a careful use of the slippery instrument of abstract deduction. In dealing with the problems of incidence we are at that part of finance that touches most closely on economic theory in its hardest form."

The real and ultimate incidence of a tax imposed on a particular class of persons, or a particular species of property or income, can

only be properly understood when considered in its relation to the whole tax system—not merely municipal, but, in Canada, provincial and federal also—of which it forms a part. Whether the particular tax in question will, or will not, tend to be shifted from the shoulders of the original payer, will depend on whether it is, or is not, accompanied by equivalent taxation of other classes of persons or other species of property or income. Thus an income tax imposed equally on all species of income, from whatever source arising, is not only immediately but ultimately, a direct tax; it tends to rest where it is imposed.

Let us apply this principle to the real property tax.

That part of the real property tax which falls, as an onerous tax, on building value, as distinct from the value of the site, and which is really a tax on the ordinary profits of building, will, if balanced by a corresponding tax on other species of income, tend to rest on building profits. Capital cannot escape by being gradually withdrawn for investment in other directions within the country; though a heavy tax on all incomes in Canada may check the investment of capital within the country, and so check building, and make houses among other things more costly.

On the other hand, a tax on building value not so balanced is a tax on a particular species of property or income, and will tend through the withdrawal of capital from building, to be shifted, in the form of a rise in rent, to the tenant or occupier of the dwelling house or business premises; and in the latter case, ultimately, to the purchasers of the goods or services supplied, through a rise in their price.

But in so far as the real property tax is an onerous tax on land value apart from improvements, it rests on the owner of the land. It cannot be shifted to the tenant or occupier by raising the rent, so far as that is determined by competition. The competitive rent paid by the tenant for the use of the land is the measure of the differential advantage he thereby obtains, and an onerous tax can have no tendency to increase that advantage. If the owner could throw the tax on the tenant, that would mean that he could exact a higher rent, in which case he would have done so before. It matters not, as regards the ultimate incidence, whether the tax is taken, as here, from the owner, or, as in England, from the occupier, in the first place. If taken first from the occupier, he would, after the expiry of a current lease, pay just so much less rent.

Nor could owner and occupier together, in the case of business premises, shift the tax on site value to the consumer of the commodities or services supplied, for that would mean that they could make a monopoly price, in which case they would have done so before.

In the case where some of the land, e.g., suburban land, may be used either for building or for agriculture, if the tax on site value is combined with an equivalent tax on the agricultural value of the land, the tax will fall wholly on the landowner. If, however, the land is taxed only if used for building, the rent to the occupier will, as John Stuart Mill shows, tend to be higher by the small amount of tax on the land on the margin of building. But all that part of the tax on site value which arises from superiority of situation over the marginal site, is a tax on a differential advantage, and as such will fall on the landowner.

In so far, however, as the tax on land value is a **beneficial** or remunerative rate, the expenditure of the revenue it yields enhances the differential advantages of the site, and the tax is thus ultimately paid by the occupier, but is no real burden on him.

Applying these general principles of incidence to the problem of taxation as it is presented locally, it is at once obvious and prominent that, under the fiscal system which has prevailed in this country, the part of the real property tax which represents taxation of building profits, has not been balanced by equivalent taxation of other forms of income. It follows that the tendency has been for the tax on building value to be borne by the occupier. So far as the rate is beneficial, it is again no real burden on the occupier, but it is otherwise with the rate so far as **onerous**. Exceptionally high **onerous** rates on building value in any locality, will, however, tend to be shifted to the owner through reduction in the demand for houses and business premises in that locality.

This, however, it should be observed, is merely the statement of a tendency, which becomes effective only in the long run. There is always a certain amount of economic friction to be overcome. Capital is not perfectly mobile, and the extent to which the burden of the tax can be shifted to the tenant at any given time, depends on the demand for, compared with the supply of buildings.

In Western Canada during the decade ending 1913, the demand for building was active, and the tax on building value was certainly borne by the occupier. But during the five years of depression which followed 1913 the demand for house accommodation was so slack that there was practically no building, and the tax on building value doubtless fell for the most part on the owner of the building. There is already, however, abundant evidence that we have once more entered on a period in which demand for houses is in excess of the supply, and the occupier will without doubt bear the greater part of the tax on houses

as buildings, while the tax on business premises will tend to be passed on to the public in general. The importance of this consideration is seen if it is borne in mind that in Winnipeg in 1909 the assessment of buildings was 39.4, and in 1919, 38.9 per cent of the whole real property assessment.

It follows that in estimating the burden of the tax rate on the owners of real property, as distinct from the occupiers, we must not ignore this process of shifting, and we must extend our survey over a period sufficiently long to obtain a fair average view.

When we take into consideration (1) the tendency to shifting, and consequent vital importance of the distinction between the immediate impact of the tax and its ultimate or real incidence, (2) the fact that a considerable proportion of the real estate tax is a **beneficial**, not an **onerous** tax, it is clear that the sound argument for broadening the basis of municipal taxation is to be found, not in the injustice of the present system to real estate owners, but in the instability of a revenue system which rests so heavily, as our present system does, on the uncertain and fluctuating basis of real estate values.

We may here briefly recall certain facts already emphasized in our argument for the institution of an income tax, namely, (a) the growth in number and expensiveness of the general or national services performed by our municipal governments, the revenue for which must be provided by onerous taxation on the basis of ability to pay; (b) the growing wealth of society and the increasing variety of its forms, with the consequence that the possession of land and houses has become less and less satisfactory as the index of that ability. These two tendencies, both characteristic of progressive societies have combined to render it neither equitable nor financially expedient that the possessors of income as such, from whatever source arising, should be longer exempt from the duty of making a direct and certain contribution towards the expenses of municipal government.

### TAXATION OF REAL ESTATE IN WINNIPEG

The complaint is often heard that in the City of Winnipeg public expenditure has increased out of all proportion to the increase in population during the last decade; and it is stated that the increase in taxation is, in itself, sufficient explanation of the rise in rents, and the cessation of building activities.

But the growth of taxation *per capita* is not peculiar to Winnipeg, nor yet to the cities of this continent. It is a general experience throughout the civilized world. With the progress of civilization, governments, both central and local, are continually being forced to undertake new duties, or to adopt new and more expensive methods of performing old duties; and, in the words of the first Lord Goschen:—

"Increased work means increased cost and the consequent imposition of new taxes, or the retention of old ones which would otherwise be repealed . . . . As a set-off to the advantages secured we must weigh the disadvantages which increased expense involves. . . . Light financial burdens are incompatible with heavy public work. The good must be weighed with the evil. The good may weigh much heavier than the evil, but the evil is there."

The statement that the recent rise in rents in Winnipeg is sufficiently explained by the increase in the tax rate, will not bear examination. It ignores the operation of other and far more important factors. Building was active up to 1913, though it did no more than keep up with the demand for houses and business premises resulting from the rapid growth of population. But with the collapse of the real estate boom, followed as that was after a short interval by the outbreak of war, many houses, suites, and offices were left without tenants, and rents fell substantially. This in itself was enough to check building. But as the war progressed, the increasing scarcity of labor, and the high cost of building material, operated to continue the cessation of building, even in face of growing scarcity of houses and rising rents. During the present year (1919) the situation has been further aggravated by labor troubles. These causes, far more than heavy taxation, account for the scarcity of houses in the city, and the rise in rents. The latter are already on a higher level in many cases than before the war, and there is increasing evidence that notwithstanding the high cost of labor and materials, a renewal of building activity is at hand.

As we have already shown, not all taxes on real property increase rents. In so far as such taxes do increase rents they are clearly no burden on the owner, save to the extent that the rise in rents may lead to a contraction of the demand for houses.

Comparisons are sometimes made between the tax rates on real property in Winnipeg and in the cities of the United States. But such comparisons, unless made with caution, are apt to be misleading. There would be this danger, even if in the statistics available on the taxation of property, the term "property" always denoted the same thing, for the following reasons:—

(a) The value of money is very different in the cities of the Eastern States and in Winnipeg.

(b) In a city like Winnipeg, which is relatively speaking, still young, and in the earlier stages of rapid expansion, it is only to be expected that the rate of **beneficial** taxes per head will be high, as compared with that in a city the foundations of which have long been well and truly laid.

But, as pointed out in a communication from Mr. A. E. Holcomb, Secretary of the National Tax Association to the Chairman of this Commission, property taxes in the United States are not confined to realty. They cover all property taxes. The property tax systems, too, differ in the different cities, and particularly in respect of what is meant by "property." The tables in the "Financial Statistics of Cities having a population of over 30,000" published by the United States Department of Commerce Bureau of the Census, do not show the taxes imposed by the states as distinguished from the cities, whereas in the Winnipeg rate the Provincial levy is included. This alone illustrates very well one of the dangers associated with the use of statistics. Their proper interpretation is possible only when they are viewed in relation to their context; for, in the facts, which they are taken to represent, there may be, and often are, differences which the figures themselves do not reveal. "Statistics," said Lord Goschen, "never tell untruths, but may be so handled as to present untruths."

It has been suggested that the tax burdens upon real property should be limited by:—

(a) Limiting the percentage of the levy to be borne by it.

(b) Including local improvement taxes in the general levy. But such a policy is both inequitable and impracticable. For the reasons already given, the real property tax always has been, is, and must continue to be, the main support of local finance. The advantage resulting from local improvements, too, accrues mainly to the owners of real property in the neighborhood.

While this Commission has recommended the substitution in the urban municipalities of the Province of a business tax, levied on the basis of a fixed percentage of the net profits of business, for the present rental value of business, and for the personal property tax, where that still exists, it is not intended that these should be substituted for, but merely that they should supplement, the real property tax.

We cannot recommend, as has been suggested, the imposition of a rental tax on tenants. Such a tax would, in our opinion, be extremely inequitable in its results, especially in view of the fact that, under our present system a large part of the real property tax, nominally borne by the owners, is really in the normal case shifted to the tenants in the manner already explained.

Apart from the limited relief which it is hoped may come from the broadening of the basis of the local revenue system, by the introduction of an income tax, any effective limitation of the real property tax must be sought in the direction of limitation of expenditure, and expenditure depends upon policy.

We therefore recommend as follows:—

1. That for the purpose of the equitable distribution of public burdens, all real property throughout the Province of Manitoba shall be assessed; land at its value, buildings and other improvements at two-thirds of their value.

(1) Land, as distinguished from buildings thereon, shall be assessed at its value at the time of the assessment.

(2) With regard to land having buildings thereon, the value of the buildings shall be the amount by which the value of the land is thereby increased.

(3) In assessing land having buildings thereon, the value of the land shall be set down in one column. In another column shall be set down the sum which shall represent two-thirds of the value of the buildings thereon. The value of the land and the said proportion of the value of the buildings shall together form the assessment in respect of the property.

II. In urban municipalities, that is, cities, towns and villages, the bases of taxation shall be: (a) the assessed value of real property, (b) business, (c) income, (d) special franchises, (e) licenses.

III. In rural municipalities, taxes shall be levied on the assessed value of land only, in the case of farm land; and on the assessed values of both land and buildings, and on net profits of business and on incomes, in districts, such as unincorporated village centres in rural communities, where lands are not used for purely agricultural purposes.

### **Rate of Taxation**

Under the suggested scheme of taxation, outlined in this report, the result should be to produce in the aggregate a larger sum than is produced under the present law. It is, therefore, obvious that as high a rate on real estate in urban communities as that now imposed, will not be necessary. The reduction should be considerable.

Municipalities would seem to be already too much inclined to undertake, without due consideration, local works and enterprises in the nature of public improvements, in the over-sanguine hope that good times ahead may cause liabilities created to bear lightly on the taxpayer.

If, under new conditions, a lower rate on real estate suffices, a word of warning may not be out of place against the possible temptation, with increased sources of revenue, to increase municipal expenditures. The benefits arising from the new sources of taxation may be neutralized, if not accompanied, by economical administration in municipal affairs. The readjustment of taxation, however successful in making its burden fair and equal, will clearly bring no relief to the taxpayer, if, by increase of expenditure, the rate of taxation remains unchanged.

### **Housing Rentals**

It is hereinbefore pointed out that the demand for dwelling houses and places of business in urban and suburban centres of the Province, is considerably in excess of the supply. It has also been established before us that the rentals of such places are materially greater than during the period of the war. Whether these rentals are now greater, on a par, or less, than prevailed under pre-war conditions, and to what extent such conditions have improved from the investor's standpoint, we are unable definitely to state, inasmuch as the information afforded us in these respects was somewhat obscure, though presented and urged by a variety of persons from many different angles and with varying hypotheses.

It was claimed by many persons in the public press during the course of our sittings, that in the City of Winnipeg increase of rentals was unjustifiable, and in any event abnormal. Neither of these conditions were substantiated, although ample opportunity to that end was afforded. We, therefore, can only state what we believe to be the fact, namely, that rentals in the City

of Winnipeg, and doubtless elsewhere in the Province, are, generally speaking, higher today than immediately preceding the war period. That this is the case is not surprising. With the close of the war and the consequent influx of population, coupled with the fact that building operations have been practically suspended for over four years, and that the cost of maintenance and upkeep of present buildings have materially advanced, the conditions created in the respect referred to cannot be regarded as undue or phenomenal. Nevertheless the fact is outstanding that demand for housing accommodation has so increased that it exceeds the supply; hence higher rentals.

The situation created, however, has one important feature, namely, it has removed to a very considerable extent, the complaints urged a year ago by certain owners, and representatives of owners, of rental bearing property in the City of Winnipeg, that on account of the large reduction in rentals over pre-war conditions, resulting it was alleged, in very marked decreases in interest on investments, improved real estate was bearing too great a share of the burden of taxation. Whatever the conditions may have heretofore been in this respect, at the present time, at all events, it is quite fair and proper, we think, to remind these persons that to the extent at least of the increased rentals values being received by them today over the former period referred to, very material relief has been afforded in the premises. It is also to be observed that to the extent of the rental increases indicated, the tax burden has been shifted to the tenant. The shortage of modern dwelling facilities—most noticeable in central portions of the City of Winnipeg—like most other disagreeable situations, is not, we believe, without its compensations. If a sufficient number of persons are, on that account, induced to become home owners, there will be a marked gain for the community as well as for the individual.

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## PART 5

## INCREMENT TAXATION

The difference in economic character between land and most other kinds of property has long been recognized, though rarely in the tax laws. Under the general property tax, all kinds of property have been treated alike. A revenue system based on the inflexible rule of uniformity where such great variety exists is crude and must in time, as we have argued elsewhere, give way to a rational classification of property. We wish now to call attention to another feature of land taxation which is commanding an increasing amount of attention, and has already been embodied in practical legislation in some places.

This new feature of taxation consists in appropriating for the public use some part or all of the future increase in the value of land. The means by which this end is accomplished varies in different places, but everywhere it is through a special tax upon increases in the value of land in addition to the usual tax on the land according to its present value. The first example of this kind of tax was by Germany in one of its colonies, Kiauchau, in 1898. Large expenditures were to be made, a great port was to be developed, and it was foreseen that speculators would rush in to buy up land they did not intend to develop in order to secure the rise in value certain to follow. It seems that the government at first proposed to retain control of the territory and profit by the rise, but for some reason this had to be given up and a scheme for taxing the increase in value was adopted. The plan was quickly seized upon by many cities in Germany as affording an appropriate revenue. Down to 1911, when an imperial increment tax was adopted, 4,500 municipalities had enacted some kind of an increment tax law. The nature and variety of these laws are indicated by Professor Seligman, who says:—

"The increased value on which the tax was applied was generally interpreted to mean the difference between the last purchase price and the present selling price. Allowance was almost universally made for expenditures incurred in the improvement of the land and for the cost of new buildings or rebuilding. Allowance was also usually made for a sum equivalent to the transfer tax and other fees connected with the change of ownership. A further sum was usually allowed representing the interest from the time of the last sale to the present transfer. In some places these sums, especially the cost of improvements were subtracted from the selling price, while in others they were added to the purchase price. In some places again, where certain parcels of an entire tract owned by a single individual had been sold at a loss, allowance was made therefor, provided that the losing sales occurred at the same time as those that were profitable, or within a limited period previous thereto. In most cases again slight increases of value were

exempted. The tax applied in general only to increments of value exceeding 10 per cent; sometimes, however, it began only at 20 per cent. The rates were almost always progressive, but the minimum and maximum varied greatly. The highest tax imposed anywhere was 30 per cent where the increase of value was over 155 per cent."

The same principle was adopted by the British Parliament after a notable struggle over the budget of 1909. In October, 1913, the Province of Alberta enacted a law providing for an increment tax. While designed for the benefit of the provincial treasury, the tax is practically confined to urban lands. It does not apply to high priced farm lands (worth over \$50 per acre) when held in large tracts (over 640 acres). The law provides:—

"That there shall be paid upon the registration under 'The Land Titles Act' of any transfer of lands a tax of 5 per cent on the increased value of the said land over and above the value thereof according to the last preceding value for the purposes of this Act; excluding in all cases the cost of improvements or development work actually made or done upon or in connection with the said land.

Professor Clark, in his report to this Commission, upon the system of taxation in the Province of Alberta, states regarding the unearned increment tax in that Province, as follows:—

"In the taxation of the unearned increment in land values, Alberta has been the pioneer in Canada. This tax dates from 1913, and seems to have been suggested by the British Increment Value Tax of 1910, which in turn had its prototype in the German Increment Value Tax. The Alberta tax is one of five per cent on the increase in the unimproved value of the land over its last preceding value. On the first transfer the basal or last preceding value from which the increment is reckoned is taken, in the absence of evidence to the contrary, to be \$15 per acre, in the case of land not within any incorporated city, town or village; and the value in the assessment roll in the case of land within a city, town or village.

"No tax is payable in respect to the first transfer of farm land, i.e., 'unsubdivided land of which at least ten per cent was actually and bona fide used by the transferor for agricultural purposes during the twelve months preceding the transaction which results in the making of the transfer.' But the tax is payable on 'the excess area of land beyond 640 acres in which the transferor was beneficially interested immediately before such transaction, only on the excess unimproved value of the land beyond \$50 per acre. No exemption is to be granted except as to the last 640 acres retained by the transferor, or, where he retains less, an acreage, which, together with the acres retained would amount to 640 acres. The apparent aim of this is the discouragement of large holdings. The secretary-treasurer of each city, town or village is required to send a certified copy of the assessment roll to the registrar of land titles for the district, by whom the assessed value of the land is noted upon the certificate of title, and no transfer of land is registered until the unearned increment tax is paid. No tax is payable upon the registration of any grant from the crown, or of any transmission of the land of a deceased person, or upon transfer from his executors to the heirs."

All these increment taxes seek to reach only that part of the increased value which is "unearned," that is, which is due to what Mills calls "the ordinary progress of a society which

increases in wealth, and which is, at all times, tending to augment the income of landlords; to give them both a greater amount and a greater proportion of the wealth of the community, independently of any trouble or outlay incurred by themselves." From the time of Adam Smith economists have recognized the peculiarity of ground-rents, and the value of land, that they constantly tend to increase without any exertion or sacrifice on the part of the owners; that owners of land, as Mill puts it "grow richer as it were in their sleep, without working, risking or economizing" and that the increasing value of land or the rent arising from it, therefore, is a proper subject for special taxation. The principle is recognized in the English income tax which imposes a heavier tax on "unearned" incomes, such as those arising from rents and investments, than upon "earned" incomes, derived from employment and the conduct of business. Most economists and the great majority of the people will agree with Mill, that while the taxing away of all the value which society has allowed to accrue to landowners, would violate property rights which society is bound to respect, nevertheless there can be no objection to declaring that the future increment of land should be liable to special taxation; in doing which all injustice to the landowners would be obviated, if the present market price of the land were secured to them, since that includes the present value of all future expectations.

No valid objection on the ground of equity can be taken to Mill's proposal, though its economic expediency may be a matter for deliberation.

But the policy of taking the future unearned increment in land values without allowing to the owners the option, as Mill proposed, of selling their land to the State at its present market value, raises a more debatable issue.

On the ground of abstract equity, the "unearned increment" in land values would seem to be a fitting subject for special taxation. "Ground rents," says Adam Smith, "seem in this respect a more suitable subject of peculiar taxation than even the ordinary rent of land." But a policy equitable in theory may yet prove most inequitable in its practical operation. Amongst the practical difficulties involved, apart from that arising from a fall in the value of money, it will suffice to notice here the fact that "unearned increments," though often especially striking in the case of land values, are by no means peculiar to the capital value or income from land. There are unearned increments more or less durable, in every species of income—in the wages of labor and the profits of capital, as

well as in the rent of land. "Community value" is not confined to land. We are, all of us, debtors to society. It is clear, therefore, that if the principle of taxing the "unearned increment" is adopted in the case of land, it will not, in a democratic age, be long confined to that. On the ground of even handed justice it must and will be inevitably extended to the unearned increment in every form of income. Thus the apparent reasonableness and equity of the principle in the abstract, is seen to disappear in its practical application.

In any case, the argument for the introduction of a tax on the unearned increment in land values has not the apparent justification here that has led to its adoption in a country like Great Britain. There, land is taxed not on its capital value, but on its annual rent, with the result that much land in the neighborhood of growing cities is taxed only on its agricultural rental value, though its capital value may be rapidly rising as the time when it can be used as building sites draws near. In this country and the United States on the other hand the practice of assessing real estate for taxation on its capital value means that the annual increment in value, whether due to improvements or "unearned" in the sense that it arises from the progress of society, tends to be included in the annual assessment.

We, therefore, make no recommendation upon this phase of real estate taxation.

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**PART 6****STATUTE LABOR TAX, POLL TAX AND ARREARS.****Statute Labor Tax**

The law provides that every person assessed upon the assessment roll of a rural municipality for a property not exempt from taxation, and not otherwise exempted, shall be liable to perform statute labor on the basis of the assessed value of property as follows:—On an assessment not exceeding \$200.00 one day statute labor. On an assessment from \$200.00 to \$500.00 two days' statute labor, and one day for each additional \$500.00 or fraction thereof. In lieu of performing statute labor the same may be commuted at the rate of \$2.00 per day. Statute labor is required to be performed within three miles of the property liable, and all commutation monies are required to be expended within the township or parish in which the property charged is situated or within six miles thereof by the nearest public road. This form of taxation has been authorized by our municipal laws ever since the establishment of municipal institutions in this Province. Like the old toll gate system for many years in force in the older provinces, but long since abolished, this principle of taxation may be said to be a relic of the past, and, in our opinion, should be absolutely abolished in this Province. A rural Council should simply be given the power to levy a limited amount annually against all rateable property in the municipality, for expenditure on road improvements in such portions of the municipality where road improvements are most needed. The authority which exists to divide rural sections into "Road Beats" presided over by indifferent pathmasters to supervise the involuntary efforts of many ratepayers, is certainly not of a character to produce results. Waste of money and effort, to a very large extent, are about the only things accomplished by the prevailing statute labor provisions in rural municipalities. We recommend the abolishment of this term of taxation.

**Poll Tax**

All male persons in municipalities between the ages of 21 and 60, and not assessed, or whose taxes do not amount to \$4.00 a year, are liable for the payment of a poll tax of \$4.00. The assessor prepares a list showing the persons liable when making the general assessment of the municipality. The time for the payment of the tax is fixed by By-Law of the council.

The assessor may at any time after the return of the Poll Tax roll add any names omitted and also names of new residents in the municipality. In our opinion, this form of tax should also be absolutely abolished after the year 1920.

### **Arrears of Taxes**

It appears that the amount of municipal taxes outstanding in the Province on the 31st of December, 1918, aggregated (irrespective of the City of Winnipeg), including tax sale certificates held by municipalities, the sum of \$6,041,231.66. We deem this a very large amount to be carried by municipalities for any considerable period. In our opinion, municipalities should be impressed with the importance of holding annual tax sales, so that by this means they may be enabled to realize as great an amount as possible on lands in arrear of taxes and subject to sale. In connection with applications made by municipalities for titles to lands purchased at tax sales, we recommend that the procedure be simplified and the cost reduced in Land Titles offices.

### **Tax Collections By Suit and Distress**

Our attention has been drawn to the fact that in cases where taxes upon real property have become in arrear, very great hardships have been inflicted by the owners of the land being subjected to suit for the amount of these taxes. At the present time the law provides three separate and distinct remedies for the realization of taxes imposed, namely, distress and sale of goods and chattels, suit, and tax sale.

We are of the opinion that the two former should be abolished in all cases where the fee in the land of the owner is definite.

Taxes imposed upon real property should be regarded as a tax against the land and not on the person, and therefore, the whole liability and responsibility for the payment thereof should be wholly upon the former, and not in any degree deemed to be a personal liability.

We strongly recommend amendments being made to sections 129 and 144 of "The Assessment Act," providing for relief in the respect referred to.

**PART 7****LOCAL IMPROVEMENTS.**

Concerning the charges known as "local improvements" there are phases which demand special attention. In apportioning the cost of improvements, such as sewers, sidewalks, pavements, and street openings, great care must be exercised in determining methods which will result in an equitable distribution of the charges in proportion to the benefits received.

Many injustices may be encountered in the levying of the local improvement charges in urban municipalities, against corner lots unless a fair proportion of the cost of such improvement is assumed by the municipality at large.

**Sewers.**

Since sewer mains are essentially a service, interior lots, that is to say, lots lying between the corners, having an average depth, have no particular use for more than one sewer main unless special connections are made.

In some instances acreage is so subdivided that it results in there being lots which have frontage on two parallel streets. This would ordinarily impose double assessment for local improvements of the same or a similar character. In the case of such double frontage lots having a depth of 132 feet or less it is here proposed that the cost of only one of the parallel sewer mains be assessed against them, unless, as stated before, connections are made from both parallel sewer mains. But, in the case of double frontage lots having a depth exceeding 132 feet they may be considered to have sufficient depth to allow a resubdivision whereby both frontages could be utilized by the erection of buildings fronting on both streets.

The method in use in the City of Winnipeg regarding the charging of the cost of Sewer Construction against corner lots is considered to be fairly equitable. Two-thirds of the charge against the flankage of a lot is assumed by the city and paid out of the General Sewer Fund, provided that proportion does not exceed a charge of 88 feet. As an illustration, a corner lot (40 feet by 120 feet) fronting or abutting on two streets having sewer mains, would have to pay a charge on the short frontage (40 feet) plus a charge on one-third of the flankage (one-third of 120 feet, 40 feet), which makes a total charge on 80 feet.

As the system is considered efficient and equitable it may be recommended for acceptance to meet the particular requirements in urban municipalities of the Province.

### Sidewalks.

An improvement, as the term applies, ought to appreciate and not to depreciate the value of the adjoining property. Therefore, the primary object of any method of local improvement charges must be to apportion the cost of the improvement in proportion to the benefit received. In the case of the corner lot, which has to bear charges for the sidewalks on two streets (frontage and flankage) special relief should be allowed to alleviate the heavy burden of the flankage charge, for it may safely be assumed that lots other than the corner lot receive some benefit therefrom. Some lots must of necessity be on the corner, and the sidewalks which are laid down along the flankage of said lots may not be of any particular use to those lots alone, but the improvement used as a connecting link in the sidewalk system in that locality is there for use for all, and this Commission would recommend in charging sidewalks, that the municipality at large assume one-half of the flankage charge, but this proportion not in any case to exceed the charge on 50 feet.

As an illustration, take a block (subdivided into lots 30 feet by 100 feet) with sidewalks all round it. The interior lots would each be paying on a basis of 30 feet of frontage while the corner lots would each be paying for the 30 feet of frontage in addition to 50 per cent of the flankage which would be 50 feet, (the remaining 50 feet of flankage being assumed by the municipality at large).

### Pavements.

The system of levying charges for pavements on the principle that the properties fronting or abutting upon a street improved should bear the cost of that improvement less certain fixed amounts which are assumed by the municipality at large in many cases leads to an inequitable assessment, as these fixed amounts in some case are not sufficient to relieve the corner lots from a heavy burden.

In the City of Winnipeg the basis of the fixed amount of relief is one-half of the cost of a macadam pavement 24 feet wide, and in cases of other classes of pavement of a width of 24 feet or more, the share assumed by the city at large is a proportion of the cost equivalent to the cost of 12 feet of macadam pavement. The case of the City of Winnipeg is taken as a means of comparison to emphasize the advantages of the methods here proposed.

Many instances occur where a pavement is necessary, but the adjoining property is not benefited to the extent of the heavy cost which the property has to assume. A property which has levied against it a capitalized tax which is actually greater than its value is practically confiscated. Such injustices are encountered

in connection with the charging of corner lots which, as stated before, have to pay on two frontages, namely, the short frontage and the flankage.

It is desirable that a more equitable system be adopted and this Commission would recommend that the municipality assume 50 per cent of the charge against the flankage of corner lots, (in no case this proportion of the flankage to exceed a charge on 50 feet).

### **Street Openings.**

Regarding street openings, it is usually conceded that the benefit of a street opening does not accrue only to the property immediately adjoining the street opening. Consideration should be given to the fact that the opening of a main highway or thoroughfare benefits the entire municipality, while some street openings are of course of a more direct benefit to the property in the immediate vicinity, therefore the cost of opening a main thoroughfare should be borne to a greater extent by the municipality at large, than the opening of a street of minor importance.

The Commission, taking into consideration the above facts, would recommend that in future street openings, municipalities take into account the benefit to the immediate area or district, and the benefit of the street opening to the entire municipality, as almost all authorities support the contention that any amount by which the cost of the openings exceeds the benefits to the property named in the by-law authorizing such improvement, should be borne by the municipality at large.

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## PART 8

## EXEMPTIONS FROM TAXATION.

Following is shown the amount of the present exemptions from taxation in the four cities of the Province:—

City of Brandon .....	\$ 4,591,967.00
City of Portage la Prairie .....	1,776,560.00
City of St. Boniface .....	1,668,586.00
City of Winnipeg ... ..	41,694,970.00
	<u>\$49,752,083.00</u>

## Details of the City of Winnipeg Exemptions

	Land	Buildings	Total
Churches .....	\$2,062,500.00	\$1,974,300.00	\$4,036,800.00
Winnipeg Public School Board .....	1,936,500.00	2,516,950.00	4,453,450.00
City Property .....	4,783,040.00	2,691,600.00	7,474,640.00
Colleges and Private Schools .....	714,370.00	480,400.00	1,194,770.00
Public Hospitals .....	195,360.00	911,200.00	1,106,560.00
Public Charities .....	87,500.00	453,500.00	541,000.00
Prov. Govt. of Manitoba .....	1,410,720.00	2,822,450.00	4,233,170.00
Dominion Government..	1,493,560.00	1,282,350.00	2,775,910.00
Canadian Pac Rail. Co.	4,162,580.00	4,362,080.00	8,524,660.00
Canadian Northern .....	910,760.00	735,000.00	1,645,760.00
North Pac. & Man. Ry.	2,800,750.00	1,460,000.00	4,260,750.00
Transcontinental Rly. ..	113,400.00	106,000.00	219,400.00
Grand Trunk Pac. Ry. ..	98,030.00	.....	98,030.00
Mid. Ry. Co. of Man....	510,170.00	43,000.00	553,170.00
W'pg Transfer Ry. Co...	308,100.00	.....	308,100.00
Miscellaneous .....	30,000.00	238,800.00	268,800.00
	<u>\$21,617,340.00</u>	<u>\$20,077,630.00</u>	<u>\$41,694,970.00</u>

## Details of City of Brandon Exemptions

Name	Land	Buildings	Total
Railways .....	672,728.00	198,675.00	871,393.00
Government .....	233,420.00	1,104,930.00	1,338,350.00
Churches .....	82,625.00	257,525.00	340,150.00
City .....	278,460.00	202,125.00	480,585.00
Schools .....	177,085.00	349,950.00	527,035.00
Manufacturing .....	2,880.00	8,100.00	10,980.00
C.N.R. Hotel .....	25,500.00	230,000.00	255,500.00
Dairies .....	12,554.00	16,320.00	28,874.00

	Land	Buildings	Total
Hospital .....	10,680.00	22,500.00	33,180.00
Brandon Winter Fair Association .....	28,110.00	125,000.00	153,110.00
Western Agric. & Arts Association .....	417,800.00	135,000.00	552,800.00
	<u>\$1,941,842.00</u>	<u>\$2,650,125.00</u>	<u>\$4,591,967.00</u>

#### Details of City of St. Boniface Exemptions.

City Properties .....	\$ 90,670.00
Railways .....	407,960.00
Schools .....	482,806.00
Churches .....	241,670.00
Cemeteries .....	1,000.00
Hospitals and Orphanage .....	346,000.00
Manitoba Government .....	26,510.00
Federal Government .....	15,400.00
Greater Winnipeg Water Dist. ....	76,570.00
	<u>\$1,688,586.00</u>

#### City of Portage la Prairie Exemptions comprise the following:—

Industrial Training School Buildings and Farm.  
 Home for Incurables, Buildings and Farm.  
 Old Folks Home.  
 Provincial Land Titles Office.  
 Provincial Jail and Ground.  
 Court House and Ground.  
 Dominion Government Armory and Ground.  
 Dominion Government Post Office.  
 Four Public Schools and Grounds.  
 Collegiate and Grounds.  
 All Churches, Parsonages, Sunday School Buildings, and Grounds.  
 Salvation Army Barracks and Residence.  
 All City Buildings, including Fire Hall, City Hall, Electric Light Plant, Water Works Plant, etc.  
 Certain Industries having a fixed assessment for a term of years.  
 All Railway Buildings, Rights-of-way and Improvements.  
 Portage la Prairie Public Parks and five hundred and fifty acres of lake, certain property acquired for street extension, etc.  
 Also a number of Lots throughout the City for which the City has acquired title through the 1915-16 Tax Sale.

Several of the witnesses who have appeared before us have suggested a drastic revision of the list of exemptions. After careful deliberation, however, we have come to the conclusion that in two cases only can we recommend some modification of the existing system.

1. **Churches:** Strong pleas, on the ground of eminent public service, have been made on behalf of the majority of the churches in favor of maintaining unimpaired their existing privileges in the way of exemption from taxation of their buildings and land. On the other hand, it has been urged on behalf of the Baptist Church that "it is of the essence of religion that it shall be voluntary," that "the individual shall be under no compulsion to support the faith and the worship in which he does not believe," whereas "the exemption of church property from taxation involves a grant from all the people of a community irrespective of their faith, to the supporters of a particular faith."

We recognize that in a country where there is no state church, the exemption of church property from taxation is not logically defensible. Nevertheless, in the prevailing state of public opinion in this province, we cannot recommend the entire removal of the exemption. We believe, however, that it should be shorn of the possibility of abuse, and accordingly we recommend that the exemption of church property in urban municipalities be limited to the church building itself, and to the land on which it stands. If occasion arises for church property to be sold at a tax sale for arrears of taxes, the exempted portion aforesaid should also be liable to sale along with the portion not exempted. In support of above recommendation we quote the views of the Rev. Dr. Duval, expressed before the Commission, as follows:—

Question by Mr. Christie:—

"Would you limit the area of land that a church would hold in connection with its requirements - - - - because, as you know, Dr. Duval, some churches hold large blocks of land?"

Dr. Duval:—

"Your question is a perfectly fair and proper one. My own private opinion is, (and I want to be perfectly fair, for when I am dead I want men to say I was fair) - - - - my opinion is this, the church should have the land upon which it is situated exempt, but not in any sense to hold land that might be termed real estate in any speculative sense, or anything like that. I think that is fair. I have known in different parts of the world where things were held down in this way, and that way, and the other way, and I remember where the matter came into question in the city of Wilmington, in the State of Delaware, some forty-two years ago, and that we decided there and then that the fair thing was for the church building, and the ground occupied by it, for the purpose for which it existed, should be exempt from everything except the frontage tax, to free it from being a charge on the public."

11. **Creameries and Cheese Factories.** We recommend that

the exemption in the case of creameries and cheese factories be restricted to \$5,000 of assessed value, and that they shall be taxed on any excess of capital over that limit, and that this provision shall apply to existing creameries and cheese factories.

**General Remarks:**

We further recommend that hereafter the power of municipal councils by by-law to grant exemptions for any purpose, be conditional upon the by-law being first submitted to and receiving the assent of the duly qualified municipal ratepayers, as in the case of money by-laws.

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## PART 9

## EQUALIZATION OF MUNICIPAL ASSESSMENTS.

*Respecting the inquiry as to the most equitable manner of equalizing municipal assessments throughout the Province to meet the annual statutory levies required to be made by the Municipal Commissioner.*

The question of the equalization of the assessments of the several municipalities in the Province upon which the annual levies of the Municipal Commissioner for the requirements of the judicial districts and other authorized purposes are based, is one of commanding importance.

The subject has been brought to our attention, and has received serious consideration.

We find that the law originally provided for the making annually of the equalization of the kind and for the purpose aforesaid, by the Municipal Commissioner, and that chiefly on account of the yearly aggregate amounts required, and made the subject of levy, being at that time, and for many years preceding, small, no complaints were forthcoming as to the estimated valuation placed upon the value of the land and buildings of the several municipalities, or as to the nature or extent of the levies based thereupon. As time passed and the requirements, and necessarily the amount of the levies, increased, dissatisfaction arose in many cases. With the view of overcoming these conditions, if possible, the Legislature, in the year 1916, by Act provided that the equalization should be made by a Board, called "The Equalized Assessment Board." Accordingly an equalization of the assessments of all municipalities was made by this Board in the year 1916. This, too, did not meet with public approval, and in the following year, 1917, the Legislature provided for its revision. This was performed and was as unsatisfactory. Such is the general feeling at the present time, and indeed it could not be otherwise, having in mind the inferior character of the municipal assessments made by the many local assessors in the rural portions of the Province, and, therefore, rendering it a mental impossibility to base thereupon anything more than a haphazard estimate of the true value of the essential elements for the making of an equitable equalization of assessment, namely, lands and buildings.

In this view we are confirmed by the Equalization Board that made the equalizations before mentioned. In making their report to the Government in June 1917, transmitting their estimate of the then relative value of real property, including buildings, in the several municipalities in the Province, they said:—

"In the first place it must be conceded that the system of assessment in rural municipalities is bad. It is bad because it is not uniform, as, for instance, in some municipalities assessment is made by placing a flat rate on each quarter section; in other municipalities an attempt is made to place a value on each quarter section. Our suggestion is that the assessment of the Province, not only for Judicial District purposes, but for all purposes, should be placed under a Department of the Government and that the whole Province should be charted, showing the character of each quarter section, and that as the assessments come in they should at once be checked and corrections made where necessary.

The matter of the compilation of fair and equitable equalization of municipal assessments throughout the Province for the purpose of the Municipal Commissioner's levies, is, in our opinion, acute, and of transcending importance.

The present unsatisfactory conditions cannot possibly be improved or rendered acceptable so long as the only material available for use for information purposes, and upon which to base an equitable equalization of assessments, consists, as is generally the case in this Province, of unequal, hastily conceived and concluded, and altogether bad municipal assessments. One has only to refer to the annual Statutes of our Legislature, wherein will be found many Acts passed to legalize and confirm bad municipal assessment and tax rolls, to be convinced that even municipal representatives themselves are conscious of their character and illegality.

According to our view, any system that permits the equalization of municipal assessments without the necessary facilities being provided to ensure correctness, establishes and perpetuates a grave injustice to many taxpayers.

We unhesitatingly recommend that prompt steps be taken to equitably adjust and set at rest this important matter. In our opinion, the solution of the anomaly is to delegate to the suggested Tax Commission power and authority to prepare the required equalized assessments. This can be readily and satisfactorily performed by that body co-temporaneously with, or soon after, the preparation of the municipal assessments for local purposes, as hereinbefore outlined.

We are confident that early and satisfactory action respecting the matter under review will meet with universal public approval.

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## PART 10

## THE SUCCESSION DUTIES TAX.

This tax is on those acquiring property by inheritance or by will, and usually is progressively graded either in accordance with the size of the inheritance or with the degree of remoteness of the relationship between deceased persons and their beneficiaries, or both. The tax, as now understood in most countries, is essentially the product of modern democracy, and is today found in, and furnishes a large portion of the revenue of, the Australian colonies and Switzerland, where the imposition respecting large estates is very heavy; and in other countries, including America, its development has gone hand in hand with the spread of democratic ideas. It has become engrafted in our own laws, and in other Provinces of Canada, where the revenue derived from the tax for the most part may be said to be rather insignificant and not at all in keeping with what it should be.

Professor Seligman, in referring to the subject, says:—

"It may be asked why democracy should favor the inheritance tax. The answer depends upon the point of view from which we regard democratic tendencies. If we say, as some believe, that the trend of democracy is necessarily toward socialism, the answer is plain; the inheritance tax is imposed because democracy is jealous of large fortunes. But if, on the other hand, we hold with the less pessimistic critics that modern democracies are endeavoring simply to do away with the abuses that have come down to us from the aristocracies of the past, we may claim that the inheritance tax is only a means of securing equality in taxation and of realizing the principle of ability to pay. Because the tax has frequently been urged by those who are opposed to large fortunes, it has usually been overlooked that it may be defended on purely economic grounds as in complete harmony with the general principles of equitable taxation."

Speaking of the theory which regards the tax as a direct one on the recipient of the inheritance, he goes on to say:—

"If we grant that the basis of taxation is the faculty of the individual, it is evident that any addition by inheritance to the wealth of the individual increases his ability to pay. If we grant further, that the best test of faculty is the revenue of the individuals, it is clear that this accretion to his revenue is of a peculiar character. Income, as the term is commonly employed, denotes a regular periodic return; but an inheritance is an irregular, a spasmodic, a chance return. In a logical income tax there is no room for such accidental or fortuitous revenues. Yet they clearly add to the ability of the individual, just as the chance gains from speculation undoubtedly increase the faculty of the taxpayer. From this point of view, the inheritance tax may best be defended by the accidental, or fortuitous income argument. When, therefore, we have a system of income taxes, the inheritance tax may be regarded as a supplementary tax to reach the real ability of the individual."

It must be conceded, we think, that the principle of the tax as now recognized, is founded on reason and right, and is a valid exercise by the state of the power to tax the transmission of property from the dead to the living; for the general rule is that the tax is

not levied upon the property, but upon the succession, and that the value of the property is merely used to determine the amount of the levy that those receiving the property, under and by of the laws of succession, should, and ought to, pay for the right or privilege conferred by law.

It can safely be affirmed, we think, that the principles involved in supplementing the public revenues by the agency of successive duties or an inheritance tax, are essentially logical, and, therefore, scarcely need defence. The evident tendency of legislative bodies appears to be to make the rates progressive. This is particularly the case in the Australian States, also in the United States, where there is a decided movement in that direction, making it quite clear, notwithstanding variations in detail, that the general trend is in one general direction, that is to say, to make this form of taxation a significant feature in fiscal systems.

While in the Canadian Provinces the principle has everywhere been established, it is very noticeable that there is lack of uniformity both in the administrative provisions and in the rates imposed. On this account many difficulties in matters relating to administration are encountered.

In our opinion it would be a decided advantage if some comprehensive, inter-provincial agreement was arrived at at an early date, respecting the law governing succession duties and the rates to be levied all over the Dominion. In the meantime, however, we think it would be a step in the right direction for Manitoba to "break the trail" and re-model its own law and make it, what it is not at the present time, a real revenue producing measure. A glance at the rates, particularly those relating to higher estates, must carry the conviction forcibly, that only the fringe of possibilities has been touched.

As has been pointed out elsewhere in our report, the cost and requirements of civil government in this Province to meet the public demands and necessities, are annually increasing, to provide for which further revenue must be forthcoming from time to time. How can this be best accomplished? Only by increasing the revenue, either by (a) fresh borrowings on the credit of the Province; (b) increasing the supplementary revenue tax, or (c) providing new channels of revenue.

In our opinion the last course is the more preferable, and best calculated to meet with public approval. The possibilities in this respect are great, particularly by virtue of the succession duties or inheritance tax. The present insignificant revenue derived from this source is simply an extravaganza or burlesque—not at all what it should be. We believe there is no form of wealth more properly taxable, and highly so, than that derived through no individual effort, but merely by the fortuitous circumstance of a

class of persons acquiring money or property from estates of deceased persons.

We are confident that if appropriate amendments are made to the succession duties legislation of the Province, by substantially increasing the rates on estates of high value, the effect will be to very materially augment the revenues of the Province.

We suggest the following:—

(a) That small estates be taxed at a less rate than large estates.

(b) That widows and children be taxed at a less rate than more distant relatives and strangers.

(c) That the tax be on a sliding scale so that smaller amounts will be taxed equally in all estates, and surpluses over such amounts will pay the higher rates.

(d) That rates be graded higher on larger estates.

(e) That duty be charged on the portion of the estate in Manitoba, at a rate to be established on above principles, based on the total value of the estate, no matter where situate.

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## PART 11.

## PROVINCIAL REVENUES.

The many and diverse causes that go to make history have brought about in different countries a very different distribution of financial responsibilities and taxing powers between the central and local governments. In Canada, by the terms of the British North America Act, the Dominion Parliament is not only authorized to raise money "by any mode or system of taxation," but is given the exclusive right of levying and collecting customs and excise duties. The Provincial Legislatures, on the other hand, are restricted to direct taxation within the Province, and licenses, for provincial, local and municipal purposes.

While the Provincial Legislatures, therefore, may not levy customs and excise duties, the Dominion Parliament is entitled to levy direct taxes and license fees. As a matter of fact, though it does raise about two-thirds of its revenue by indirect taxation and a small amount of licenses, it also obtains large sums from direct taxation, including the business profits war tax, taxes on banks, insurance and other corporations, on railways, steamship, telegraph and cable companies, and now also the income tax to meet the war expenditures.

The direct taxation of land is clearly also within the prerogative of the Dominion Parliament, though by custom it has come to be regarded as the peculiar privilege of the Provincial Legislatures or their delegates, the municipalities.

Indeed, at the time of confederation (1867) the exercise of the privilege of direct taxation was wholly in the hands of the municipalities, and it is only slowly and reluctantly that the Provincial Legislatures have entered that field; but the social and industrial development of the community has been accompanied by a rapid growth in the number and expensiveness of the essential public services for which they are responsible, and they have thus been compelled to avail themselves more and more of their right under the British North America Act, of imposing direct taxation.

Of the direct taxes levied by the Provincial Legislatures, the chief have hitherto been the taxes on corporations and railways, the succession duties, and the licenses, and, in the case of British Columbia, the income tax. Recently, however, they have added supplementary revenue taxes on real property, unoccupied or wild lands taxes and amusements taxes.

Anyone having a knowledge of the early history of Manitoba is aware that almost from the time of its entry into confederation, and from time to time for many years afterwards, claims

for more equitable financial consideration by the Dominion authorities were urged upon the latter, in order to provide for the pressing necessities of the Province. It was not long after the responsibilities of local self-government were assumed, that it became evident that the revenues derived from the Dominion were entirely inadequate to requirements. This condition became more acute as time passed, and it was only by the greatest struggle that conditions could be met and government maintained. While the population of the Province rapidly increased, causing, as a matter of course, greater demands upon the exchequer, the revenues, except by meagre additions thereto from license receipts, were practically at a standstill, and at all times glaringly insufficient to satisfy the actual necessities of responsible government. It is true that to a very limited extent the revenue or subsidy from the Dominion was slightly augmented at infrequent periods, yet at all times and for many years, the financial position of the Province was most unsatisfactory, and the energies of successive governments were severely taxed to meet the ordinary and reasonable demands of the people.

We do not propose, nor do we deem it necessary or desirable for present purposes, to detail and discuss at length the Province's financial and other relations with the Dominion (whatever the situation may be in that regard) beyond stating the fact to be, that up to the period certain financial adjustments between the two governments were arrived at in the year 1912, when the boundaries of the Province were extended from township 44 northward to Hudson's Bay, the relations of the Province with the Dominion were most unsatisfactory, and insofar as affecting the former, most unjust and inequitable viewed in the light of the treatment extended the other Provinces. No doubt the whole of the relations between the three western provinces and the Dominion are merely dormant, and will be subjects for future negotiations and correction at a future date. In the meantime, and until this shall ensue, the annual Provincial subsidies of the Provinces referred to, from the Dominion, will continue to be, as they now are, of a limited and contracted character.

The Dominion subsidy to Manitoba for 1918, including the amount allowed for interest on the school lands fund, amounted to \$1,760,035.00.

Following is given the expenditure of the Province on Consolidated Revenue account for certain periods, hereinafter referred to:—

Year	Expenditure
1873 .....	\$ 138,657.73
1880 .....	146,271.91
1890 .....	1,021,641.70
1900 .....	1,437,687.68
1909 .....	2,752,773.83

Year	Expenditure
1910 .....	3,234,941.36
1911 .....	4,002,826.28
1912 .....	4,389,539.81
1913 .....	5,314,848.79
1914 .....	5,638,658.61
1915 .....	6,026,596.35
1916 .....	6,147,779.68
1917 .....	6,860,352.81
1918 .....	7,307,727.61

The statement following shows the nature and extent of expenditures relating to certain objects for the period of ten years—1909 to 1918 inclusive.

Year	Agriculture	Education and Immigration	Aids to Municipalities and Public Works
1909 .....	\$267,332.53	\$ 430,409.25	\$149,785.93
1910 .....	296,704.71	454,618.19	223,617.82
1911 .....	322,443.87	514,433.27	199,983.19
1912 .....	342,925.41	564,558.62	236,069.36
1913 .....	411,781.40	668,832.38	287,499.97
1914 .....	423,684.99	724,560.40	459,998.50
1915 .....	449,199.92	901,117.40	331,283.83
1916 .....	488,252.67	910,505.13	171,152.68
1917 .....	566,498.61	1,117,071.30	257,902.10
1918 .....	583,015.39	1,371,485.00	249,904.21
	<u>\$4,151,839.50</u>	<u>\$7,657,580.94</u>	<u>\$2,567,197.69</u>

Below is given the population of the Province in the year 1870, and at periods of compilations of Dominion Census:—

Year	Population
1870 .....	13,000
1880 .....	65,954
1885 .....	108,640
1891 .....	152,506
1901 .....	255,211
1906 .....	365,688
1911 .....	461,630
1916 .....	553,860

The foregoing statements, will, we think, give a fair outline of the growth and responsibilities of the Province since its union with the Dominion nearly 50 years ago. The population of 13,000 souls in 1870, composed largely of french metis, had increased in 1916 to 553,860, and the annual expenditures for cost of government from \$138,657.73 in 1873 to \$7,307,727.61 in 1918. In the year 1873 for educational purposes there was expended \$5,346.00, while for this object in 1918 there was devoted \$1,371,485.00. For the last ten years the annual increases of expenditure for education,

agriculture and aid to municipalities for public works, are most significant, as the following shows. In 1909 there was expended for education, \$430,409.25, for agriculture and immigration \$267,332.53, and for aid to municipalities \$149,785.93. In 1918 for the same purposes there was paid out of the Provincial treasury \$1,371,485.00, \$588,015.39 and \$249,904.21, or a total of \$2,206,404.60—or \$1,358,875.89 more than in 1909; and so it is from whatever angle one may view the subject, the evident fact is outstanding that the requirements of government are steadily increasing and can only be met by supplementing the revenues of the Province by means within its constitutional authority so to do.

The pertinent question which meets us on the threshold is this: If the total Dominion revenue received by the Province is, as the records show, approximately a million and three quarters dollars annually, and the expenditures to be nearly seven and a half million dollars, how is the difference derived? It is made up largely of land titles and other fees, fines, corporations tax, including railways, amusements and automobile tax, and municipal levy; all imposed strictly within the rights given the Province by the British North America Act, and following the same lines, practically, as prevailing in other Provinces. Surely it requires no extraordinary acumen to at once appreciate the outstanding evident fact that the Province for all the purposes of effective government (which includes general administration, the maintenance of, and grants to public institutions, affording and advancing education, the dispensing of charitable grants, the administration of justice, the development and fostering of local industries, the care of the public health, aid to municipalities, and many other kindred objects of essentially public character, must have the required revenue. If the government of the country, owing to lack of adequate revenue cannot be substantially and successfully carried on, then all our efforts are in vain to so develop Manitoba that it shall afford contentment and security to the people here and yet to come, and to make it, as nature ordained it to be, the greatest area for agricultural and other industries on the North American continent. Manitoba has passed through many vicissitudes, and, as hereinbefore outlined, its financial responsibilities have been many and onerous, and, in our opinion, the time is at hand for the people of the whole Province to appreciate and realize that the necessary financial support must be extended to the government to enable it to successfully "carry on" and provide for the wants and conditions of the people. In no other way, as far as we can see, can this be accomplished, until the period arrives, if it ever does, that further substantial recognition of the claims of the Province are acceded and given effect to by the Dominion authorities. There is no open sesame in the matter of dollars and cents. The age is a practical one, and vastly different to that of long ago when mythology, song and story held full sway.

In considering the benefits derived from government expendi-

tures, it must be borne in mind and admitted, we think, that such enure to the advantage of whole unit, that is to say, in this Province that all expenditures benefit every individual to a greater or lesser degree. A greater appreciation of this fact is desirable. For instance, every dollar expended, whether it be for one purpose or another, is of a public character, and of general benefit. Such expenditure as is made in rural communities for roads, bridges, education, charitable and benevolent grants, cheese and dairy objects, public health, and many other purposes, all tend, or eventually will, towards the advancement and building up of urban centres. Without settlement and industry in rural parts the latter would, to all intents and purposes, be non-existent or incapable of progress. Similarly, public expenditures of many varieties and extent in urban communities benefit the rural parts, resulting, as stated, in public good, and tending towards the development and welfare of all the units. The one relies upon the other. The benefits are too broad to be narrowed or circumscribed. All must, therefore, assume the attaching responsibilities.

In the early period of the world's history, almost the only aim of the government was security and defence, but as civilization advanced, private property developed, interchange of commodities increased, various classes of society differentiated, and therefore, old sources of revenue became no longer adequate, and need of greater revenue arose. Thus, in the present day, the people everywhere demand as a right at the hands of governments, more attention to all matters concerning the public welfare. Expenditures for the development and fostering of industry and commerce must be made. The needs of more and better roads for improved methods of communication must be satisfied. Education in the most modern and effective form must be provided. Public institutions (corrective, preventative and curative) must be erected and maintained. Health and sanitary conditions must receive attention. Finally, a multitude of other classes of expenditure, due to the growth of civilization and modern conditions, the recognition in legislation of the preventative as against the repressive principle, is rendered absolutely necessary. All these new functions of government mean fresh expenditures. These expenditures require increased revenue, to derive which, as a matter of course, increased taxation becomes necessary; and hence a due recognition and appreciation of the characteristics of our modern age must be had as against the less sufficing requirements of former times. Without revenue organized society would lapse rapidly into confusion and anarchy. No thoughtful person, therefore, of this day can for a moment think that governments can exist without revenue. It is as essential to the structure and efficiency of government as blood in the veins is to the life of the individual.

The whole principle of government expenditure must be viewed in its widest sense. It cannot be narrowed or estimated as to

benefits here and there, but, on the other hand, deemed to be, as it is, **one** expenditure for, and tending towards, the advancement and promotion of the **whole** area of governmental jurisdiction.

Viewing the whole subject fully and dispassionately, we have no hesitation whatever in expressing our views, as aforesaid, and further, that we are satisfied and convinced that the government of the Province, in exercising certain of the provisions of the British North America Act relating to direct taxation for the purpose of supplementing the revenue of the Crown, to satisfy necessary public expenditures, for the public good and welfare, acted within its right, and in so doing, and in the application of such revenues, was, and is, supported by precedent and reason.

#### **The Automobile Tax.**

The net revenue derived from this source should, in our opinion, be ear-marked by legislation for expenditure wholly upon good roads in the Province.

#### **Amusement Tax.**

We find that this tax was imposed by Act of the Province in the year 1918. The proceeds are devoted to the general public purposes of the Province, which appears to be the general practice in other provinces where a similar tax is imposed. In the year 1918 the proceeds of the tax amounted to \$134,934.19. We recommend that the government seriously consider the abolition of this form of taxation as soon as other means of replacing the revenue thereby derived can be devised.

#### **Unoccupied Land Tax.**

This tax, which is imposed on wild lands not under cultivation, to the extent of one half of one per cent on the assessed value thereof, was introduced in 1918. Its object was to promote cultivation of lands of the character mentioned. The revenue derived in 1918 was \$137,500.00. We are of the opinion that this revenue can be fairly classed as of a provincial character. Our inquiries also lead us to believe that the object aimed at—not so much to create revenue as to hasten the cultivation of large areas of lands in the Province hitherto untouched—has been already largely achieved. This, therefore, of course, will rapidly render abortive the provisions of the Act as a revenue-producing nature.

#### **Corporation Tax.**

The revenue derived from this source is of a provincial character and is so deemed in all other Provinces. While the

tax is imposed on certain classes of corporations, carrying on business all over the Province, the power of Charter Cities, and Towns and Villages under the business Tax Act, to tax various kinds of companies and corporations, is in no way interfered with. We have, therefore, no observations to make as regards this form of provincial taxation.

### Railway Taxation.

In view of the statement made by the Provincial Treasurer of the Province, in a memorandum submitted by him to the Commission, we make no recommendation on this form of Provincial revenue.

The Provincial Treasurer, in referring to the subject, stated:—

"The Railway Taxation Act was passed in the year 1900, being Chapter 57 of the Statutes of that year. This Act provided for a tax to supplement the revenues of the Crown in the Province, upon every railway company within the Province, requiring them to pay during the years 1900, 1901 and 1902, 2 per cent on their gross earnings, and in each year thereafter, such sum as may be determined by the Lieutenant-Governor-in-Council, not exceeding 3 per cent of their gross earnings. No company has, up to the present, paid more than 2 per cent of its gross earnings.

"As a bargain had been made between the Government and the Canadian Northern Railway Company, when they were being encouraged to build railroads throughout the Province, that this tax should not exceed 2 per cent, the rate fixed by the Lieutenant-Governor-in-Council for all railways was 2 per cent; but on account of the Canadian Pacific Railway Company putting forward a claim that they could not be taxed upon earnings on portions of their lines outside of the original boundaries of the Province at the time they obtained their charter, and contentions that the work involved in dissecting the revenues earned in the Province upon traffic emanating within, and terminating without, emanating without and terminating within, and passing through the Province, would be very difficult and expensive to compile, special arrangements were made with the Canadian Pacific Railway Co. from time to time as their revenues or earnings increased, and in order to make the tax upon the Canadian Northern Railway Co., on an equitable basis with the Canadian Pacific Railway Co., their line was also dealt with by special arrangement with the Government from time to time. All other railways paid upon the 2 per cent basis."

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### SUMMARY OF RECOMMENDATIONS.

1. That except as may be hereinafter provided, the present incidence of municipal taxation in the Province be not altered.

2. That all real property in the Province be assessed. Land at its value; buildings and other improvements at two-thirds of their value.

(a) Land, as distinguished from buildings, shall be assessed at its value at the time of assessment.

(b) In the case of land having buildings thereon, the value of the buildings be the amount by which the value of the land is thereby increased.

(c) In assessing land having buildings thereon, the value of the land be set down in one column. In another the sum representing two-thirds the value of the buildings. The value of the lands and buildings together to form the total assessment of the property.

3. That in urban municipalities, comprising cities, towns and villages, the basis of taxation shall be:—

(a) The assessment value of real property.

(b) Business.

(c) Income.

(d) Special franchises.

(e) Licenses.

4. That in Rural Municipalities taxation be on the assessed value of land only, in the case of farm land; and on the assessed value of both land and buildings and on net profits of business and on incomes, in unincorporated village areas in rural communities, where lands are not used for purely agriculture purposes.

5. That for the purpose of widening the base of taxation an income tax be introduced in the urban municipalities of the Province, as well as in those portions of rural municipalities having urban characteristics. The tax to be on all incomes of persons over certain fixed amounts.

6. That for the period of at least one year, the prevailing provisions regarding the imposition and collection of the Business Tax and the Personal Property Tax be continued, and that thereafter, as soon as possible, the tax imposed and to be collected in such cases, be on the basis of net profit of business.

7. That a Tax Commission be constituted at the earliest possible date, with sufficiently wide powers as will enable said commission to fully and effectually perform its functions, comprising in part:—

(a) The active co-operation with local assessors, not including cities, respecting the preparation of municipal assessments with the view of improving the same.

(b) The administration of any income law that may be enacted; also that relating to a business tax.

(c) The preparation, whenever required, of equitable equalized assessments relating to the several municipalities of the Province, upon which to fairly apportion between municipalities the annual statutory levies of the Municipal Commissioner.

8. That the statute labor provisions of "The Assessment Act" be repealed and that there be substituted therefor, the power and only the power, to rural municipalities, to levy for a limited amount annually against all rateable property within their respective limits for expenditure on road improvements where most needed in the opinion of councils.

9. That the Poll Tax provisions of "The Assessment Act," be absolutely abolished at the end of the year 1920.

10. (a) That the School Act be amended making the taxation unit for rural schools correspond in area with that for municipal purposes.

(b) That the establishment of municipal rural school boards be made compulsory instead of optional (as is now the case) throughout the entire organized rural portions of the Province.

(c) That in the election of trustees to said Boards a fair method be provided to govern in all cases.

(d) That when School Districts provide the plant equipment for secondary education, the departmental grants to such be equal to, or at least 80 per cent of, the entire cost of operation.

10. That the exemption of church property in urban municipalities be limited to the church building itself and the land upon which it stands; and that the exempted portion be liable to be sold along with the non-exempted portion of the site for arrears of taxes upon the latter.

11. (a) That in the case of Creameries and Cheese Factories the exemption provision contained in "The Assessment Act" in such cases be restricted to \$5,000 of the assessed value thereof, and that they be taxed on any excess capital over that limit. This provision to be applicable to all existing creameries and cheese factories in the Province.

(c) That hereafter the power of municipal councils to exempt property of any kind from taxation be conditional upon the By-law or By-laws being first submitted to and receiving the assent of the duly qualified ratepayers, as in the case of money By-laws.

12. That as regards the apportioning of the cost of sewers, sidewalks, pavements and street openings, effect be given in such cases as outlined in our report under the heading "Local Improvements," believing that the suggestions offered will result in an equitable distribution in such cases of the charges in proportion to the benefits received.

13. That in connection with applications by municipalities for titles to lands purchased at tax sales, the procedure be simplified, and the cost reduced in such cases in Land Titles offices.

14. That the provisions of sections 129 and 144 of "The Assessment Act" be amended so as to do away with suit and distress for taxes in cases where the owner of land has a title thereto in fee simple.

15. That "The Succession Duties Act" be so amended as to ensure greater revenues from larger estates.

16. (a) That we approve of the following as being proper sources of Provincial revenue.

- |                               |                          |
|-------------------------------|--------------------------|
| 1. Corporation taxation.      | 5. Unoccupied Lands Tax. |
| 2. Railway Taxation.          | 6. Automobile Tax.       |
| 3. Succession Duties Tax.     | 7. The Amusement Tax.    |
| 4. Supplementary Revenue Tax. |                          |

(b) As regards the Amusement Tax we recommend that this form of taxation be abolished so soon as the government sees its way clear to substitute other sources of revenue to take its place.

(c) That the annual revenue from automobile licenses be earmarked for expenditure upon roads constructed under the provisions of "The Good Roads Act."

All of which is respectfully submitted.

E. M. WOOD, Chairman  
W. J. CHRISTIE  
ARCH. B. CLARK.  
A. H. PULFORD  
D. D. McDONALD  
L. W. DONLEY  
PETER WRIGHT  
FRANK O. FOWLER  
J. H. PARKHILL  
J. F. FEILDE  
J. H. CURLE  
ROBERT FORKE.

Winnipeg, 27th December, 1919.



# **APPENDICES**



## STATISTICAL INFORMATION

RESPECTING THE MUNICIPALITIES OF THE PROVINCE FOR THE YEAR 1918.

No.	Municipality	Population	Residents	Area of Municipality	Number of Taxable Lands	Number of Acres Under Cultivation	Horses	Cattle	Sheep	Pigs	Assessment Total	Taxes Imposed	Debt
1	Albert	1,237	350	184,320	178,878	110,685	3,593	8,333	553	1,788	\$ 1,347,850.00	\$ 49,524.32	---
2	Archie	1,112	330	188,240	185,968	50,687	2,843	2,453	88	1,265	1,104,415.00	39,628.33	---
3	Argyle	1,598	570	190,595	189,635	94,280	3,594	4,730	959	4,531	1,170,000.00	44,169.95	---
4	Armstrong	1,251	381	161,881	122,109	8,754	3,672	3,541	331	1,450	628,395.00	18,182.86	---
5	Arthur	1,402	400	182,840	182,939	187,832	3,880	4,299	321	2,071	1,689,675.00	43,852.49	259.00
6	Assiniboia	8,451	73	26,853	22,869	4,556	281	581	25	7	14,751,774.00	332,197.97	1,226,895.58
7	Beauséjour (Town)	1,000	1,650	529,040	245,104	16,156	1,280	10,101	2,550	1,025	982,137.00	8,326.11	17,900.64
8	Belfort	1,215	416	207,360	185,200	59,328	3,607	7,537	354	1,431	1,885,555.00	47,717.13	---
9	Binscarth (Village)	1,418	306	183,240	137,832	74,060	3,405	3,472	193	1,893	1,174,366.00	49,801.19	27,600.00
10	Birtle (Rural)	1,551	306	183,240	137,832	74,060	3,405	3,472	193	1,893	1,174,366.00	49,801.19	7,302.76
11	Birdie (Town)	1,023	306	183,240	137,832	74,060	3,405	3,472	193	1,893	1,174,366.00	49,801.19	33,857.90
12	Birdie (Town)	1,023	306	183,240	137,832	74,060	3,405	3,472	193	1,893	1,174,366.00	49,801.19	---
13	Boleslain (Town)	775	218	138,240	57,090	11,400	342	1,954	---	430	15,399,525.00	385,137.24	3,194,790.33
14	Boulton (City)	14,603	469	184,320	177,220	157,353	4,551	4,129	717	2,188	1,759,855.00	41,884.98	7,264.50
15	Brenda	1,817	420	180,480	120,955	33,500	1,000	3,800	400	1,300	680,285.00	49,113.72	---
16	Brookhead	4,250	526	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
17	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
18	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
19	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
20	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
21	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
22	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
23	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
24	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
25	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
26	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
27	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
28	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
29	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
30	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
31	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
32	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
33	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
34	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
35	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
36	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
37	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
38	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
39	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
40	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
41	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
42	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
43	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
44	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
45	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
46	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
47	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
48	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
49	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
50	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
51	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
52	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
53	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
54	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
55	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
56	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
57	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
58	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
59	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
60	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
61	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
62	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
63	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
64	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
65	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
66	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
67	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
68	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
69	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
70	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
71	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
72	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
73	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
74	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
75	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
76	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
77	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
78	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
79	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
80	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
81	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
82	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
83	Carleton Place	1,298	806	183,650	169,100	115,705	4,470	4,527	530	3,418	765,445.00	35,429.45	---
84	Carleton Place	1,298	806										



## APPENDIX A.

*A brief Synopsis by E. M. Wood, Deputy Municipal Commissioner, of the law relating to the assessment and taxation of property in Manitoba.*

The general law of the Province respecting the assessment and taxation of property has not been materially altered for many years. There have been minor changes here and there, but—the salient principles in one form or another and the methods of administration, have been maintained during a very long period.

The municipal unit in the Province consists of certain territory comprised within what are known as cities, towns, villages and rural municipalities, and all, excepting cities operating under special charters of incorporation (Winnipeg, St. Boniface and Portage la Prairie being of that charter) operate under the general Municipal and Assessment Acts of the Province.

All these units, for the conduct of their affairs, have elected representatives, and, within the powers given them by law, are self-governing bodies in all matters relating to municipal affairs.

Under the general law above mentioned, all property, which is defined to include both real and personal property, is liable to municipal taxation, subject to the following exemptions:—

Crown, Municipal and Indian Lands,  
Public Schools, Colleges and educational institutions,  
Public Hospitals,  
Property of Agricultural Societies,  
Cemeteries,  
Municipally Exempted Lands,  
Agricultural Stock and Produce,  
Public Libraries,  
Militia Horses,  
Household Effects,  
Churches,  
Creameries and Cheese Factories,  
Ships,  
Railway property exempted under "The Railway Taxation Act."

All property liable to assessment is required to be assessed for the purpose of taxation at least every second year.

The assessment roll in any year may be adopted by the council as the assessment roll for the next ensuing year, but not oftener.

Assessors are appointed by the respective municipal councils, who also fix the amount of their remuneration.

In cities, towns and villages, coming under the provisions of the general law, the assessment rolls are required to be returned by the first of March following the making thereof.

In rural municipalities it is necessary for assessments to be made between the first day of April and the first day of November in each year for the next calendar year, and for the rolls to be returned to the Clerk of the Municipality not later than the thirty-first day of December next following.

Every assessor is required, at least ten days prior to the return of his assessment roll, as aforesaid, to send notices to each person assessed, showing the land assessed to him and the valuation placed upon the same; also information as to the date and place when the Court of Revision will be held, to consider appeals against the assessment. After the return of the assessment roll, in the case of rural municipalities, it is provided that the same shall remain open to the inspection of all parties until the 15th day of February, and that all persons desirous of appealing against any assessment must lodge their complaints with the Clerk at least ten days before the date of the sittings of the Court of Revision. Due public notice is required to be given as above, and also as to the date and place of the sittings of the Court of Revision, which is fixed for the first Wednesday in March. The procedure is much the same in cities, towns and villages, except the period allowed for the inspection of the assessment roll, and the date of holding the Court of Revision, vary somewhat as to time. Provisions follow for the revision of the roll by the Court of Revision, which consists of a quorum of the council, and also for appeal from the latter to a county court judge by any person dissatisfied with the decision of the Court of Revision; also for the revision, amending and adoption of the last revised assessment roll for the then current year, where a new assessment has not been made, in the case of cities, towns and villages, and for the adoption of the assessment roll last prepared and revised, as the assessment roll for the next subsequent year, in the case of rural municipalities. After the assessment roll is finally revised by the Court of Revision, if no complaints have been lodged, or by the judge after all complaints have been dealt with, it is effective. The council is then in a position to pass what is called "The Rate By-Law" providing for the several amounts required to be levied against all the rateable property in the municipality, including the requirements for special school purposes. When this step has been taken it then becomes the duty of the Clerk for the municipality to prepare what is known as "The Tax Collector's Roll", and for the Treasurer to send out notices containing a statement and demand of the taxes due by each person whose name appears on the collector's roll, stating the time when the amounts demanded

are required to be paid. The taxes are deemed to be due by all tax payers from the date provided in a by-law of the council, or, if not so provided, then on the first day of October of the year of the tax imposition. Provisions follow respecting the discounts and penalties on taxes, and for the collection of the same by distress, suit, and tax sale; also as to redemption in the case of sale. and the disposition of the surplus tax sale monies.

### **The Basis of Assessment in Rural Municipalities.**

In rural municipalities it is provided, that all lands improved for farming, stock-raising, and gardening purposes, shall be assessed at the same value as such lands would be if unimproved. Then follows the provision that farm residences and buildings shall be considered as improvements. Farm residences and buildings are included as improvements, and, therefore, are not assessable. The effect of this provision is that no assessment of land of the character above set forth is allowable to a greater extent than what the value of the land would be in its virgin state. The farmer, stock raiser, or market gardener, is also exempt from assessment with respect to his produce, live stock, farming implements, and household effects. The assessment, therefore, in such cases really means a land tax only in rural communities.

## **THE BASIS OF ASSESSMENT IN CITIES, TOWNS AND VILLAGES.**

### **City of Winnipeg Assessment.**

In the City of Winnipeg, assessments are made by a Board of Valuation and Revision, comprising the Assessment Commissioner, and three other persons not members of the council. Land is assessed at value. In assessing land having buildings thereon, the value of the land is set down in one column. In another column is set down the sum which shall represent two-thirds of the value of the buildings thereon. The value of the land and the said proportion of the value of the buildings together form the assessment in respect of the property.

A certain class of persons also coming within the Business Tax provisions of the Act are assessed for a sum equivalent to the annual rental value of the premises occupied. The Tax imposed is six and two-thirds per centum of the amount of the business assessment. Separate rolls are made in each case. Gas, Electric Light, Telephone, Street Railway, and Telephone Companies are assessed at a flat figure on the value of their property based on the population of the city as it increases from time to time. There is no assessment and taxation of personal property. Appeals against assessment are made to, and decided by, the Board of Valuation and Revision, whose decisions are final except as relating to matters

of law, in which cases reference may be made by the Board of Valuation and Revision to a judge of the Court of King's Bench.

#### **City of Brandon Assessment.**

The assessment of property in the City of Brandon by special statutory provisions follow very closely those relating to the City of Winnipeg. The assessment is prepared and revised by a Board of Valuation. Lands are assessed at full valuation and buildings at two-thirds. A Business Tax is imposed. A limited personal property is also imposed upon the owners of horses, cattle and vehicles.

#### **City of St. Boniface Assessment.**

In the City of St. Boniface lands are assessed according to a pro-rata value. Buildings are considered as real estate, it is provided, so that taxation shall fall equally upon the same. A Business Tax is also imposed. The rate being fixed by the council.

#### **City of Portage la Prairie Assessment.**

In the City of Portage la Prairie the provision relating to land assessment is, that all lands subject to certain taxes, shall be liable to assessment and taxation. A Business Tax is imposed of a sum not exceeding twenty per cent. of the annual rental value of the premises assessed. Gas, Electric Light, and Telephone Companies may be taxed certain specific sums. Horses, cattle, and vehicles not kept for business purposes, are subject to assessment and taxation.

#### **Provisions Relating to the Business Tax in Towns and Villages.**

In the year 1908 an Act was passed by the Legislature intituled "Act Respecting the Taxation of Personal Property in Towns and Villages" generally cited as "The Towns' and Villages' Business Tax Act". It is therein provided that its provisions shall come into force in any incorporated town or village upon the proclamation of the Lieutenant-Governor-in-Council, to be issued upon the request of the municipal council, and thereafter that the provisions of the Act shall be applicable to the assessment and taxation of personal property in such towns or villages, and be substituted for the provisions of the Assessment Act in relation to the taxation of personal property. A tax is authorized to be imposed and levied on certain classes of trades, occupations and professions based on the annual rental value, not exceeding fifteen per cent. of the premises in which such trades, occupations and professions are respectively carried on. A special tax is also authorized on persons subject to the business tax who are owners of horses, vehicles and cattle kept for business purposes. It is also provided that an annual tax may be imposed on Telegraph, Telephone and Electric Light Companies, based on the value of their respective holdings. The provisions of the Act have been very largely taken advantage

of by a number of towns and villages throughout the province, being in force at the present time in the following towns and villages, i.e., Boissevain, Gladstone, Neepawa, Dauphin, Birtle, Grandview, Swan River, Deloraine, Souris, Emerson, Morris, Virnden, Elkhorn, Gretna, Beausejour.

(Note.—The principles of this Act have also been applied to the City of Brandon.)

### **The Personal Property Tax.**

Although the Assessment Act of the Province authorizes the imposition of a tax on personal property, it is to be noted that by reason of the exemption of this class of property owned in rural communities, and the adoption of the principle set forth in the Business Tax Act in cities, and almost wholly so in towns and villages, the provisions of the assessment act are largely ineffective and of no avail whatsoever, except in those portions of rural municipalities where farming occupations do not prevail.

### **Statute Labor.**

The law provides that every person assessed upon the assessment roll of a rural municipality for property not exempt from taxation, and not otherwise exempted, shall be liable to perform statute labor on the basis of the assessed property as follows:—On an assessment not exceeding \$200.00 one day statute labor. On an assessment of \$200.00 to \$500.00, two days statute labor, and one day for each additional \$500.00 or fraction thereof. In lieu of performing statute labor the same may be commuted at the rate of \$2.00 per day. Statute labor is required to be performed within three miles of the property liable, and all commutation monies are required to be expended within the township or parish in which the property charged is situated or within six miles thereof by the nearest public road. This form of taxation has been authorized by our municipal laws ever since the establishment of municipal institutions in this Province.

### **Poll Tax**

All male persons in municipalities between the ages of 21 and 60, and not assessed, or whose taxes do not amount to \$4.00 a year are liable to payment of a poll tax for \$4.00. The assessor prepares the list showing the persons liable when making the general assessment of the municipality. The assessor may at any time after the completion of the Poll Tax roll add any names omitted and names of new residents of the Municipality. The time the payment of the tax is fixed by By-Law of the council.

### **Licenses.**

All municipalities are given the power to impose license fees for certain local purposes.

**APPENDIX B.****MEMORANDUM**

*Submitted by the Provincial Treasurer, respecting Provincial revenue, dated August 15th, 1918.*

The revenues of the Province may be classified as derived from the following various sources:—

**Special Sources.**

- Subsidy.
- School lands.
- Provincial lands.

**Sources under which there are Equal Expenses for Upkeep, etc.**

- Interest.
- Telephone rentals.
- Licenses and other local revenues.
- Fire prevention.

**Taxes derived from Certain Amusements, Corporations, etc.**

- Succession duties.
- Insurance Act fees.
- Corporation tax.
- Railway Tax.
- Automobile tax.
- Public Amusement Tax.

**Taxes by Direct Levy on the Whole Province.**

- Municipal levy.
- Tax on unoccupied lands.
- Patriotic Fund levy.

The following observations may be made on the way in which taxes are levied under some of the above heads:—

**Corporation Tax.**

“The Corporation Taxation Act” was passed in 1900, for the purpose of supplementing the revenues of the Crown in the Province, and imposed a tax upon the following classes of corporation:

- Banks,
- Private Banks,
- Insurance Companies,
- Loan Companies,
- Land Companies,
- Trust Companies,

- Street Railway Companies,
- Telephone Companies,
- Telegraph Companies,
- Gas Companies,
- Electric Light Companies,
- Express Companies,

which have yielded to the revenues of the Province since the Act came into operation, the following sums in the respective years:—

1900 .....	\$ 14,708.54
1901 .....	31,608.92
1902 .....	36,608.08
1903 .....	42,857.46
1904 .....	48,083.64
1905 .....	56,766.31
1906 .....	74,416.20
1907 .....	86,331.86
1908 .....	80,590.40
1909 .....	83,791.14
1910 .....	88,637.21
1911 .....	97,237.85
1912 .....	115,092.76
1913 .....	143,413.12
1914 .....	158,481.15
1915 .....	210,285.77
1916 .....	220,728.93
1917 .....	222,670.18
	<hr/>
	\$1,812,309.52

Up to the end of August, 1918, the sum of \$236,651.15 has been received. It is anticipated that by the end of the present fiscal year very nearly \$250,000.00 will be obtained.

Details of the changes under the Act, modifications in the amount of taxes collected, and the bases of such taxation, will be found in detailed information herewith.

### Railway Taxation.

"The Railway Taxation Act" was passed in the year 1900, being Chapter 57 of the Statutes of that year. This Act provided for a tax to supplement the revenues of the Crown in the Province, upon every railway company within the Province, requiring them to pay during the years 1900, 1901 and 1902, 2 per cent. on their gross earnings, and, in each year thereafter, such sum as may be determined by the Lieutenant-Governor-in-Council, not exceeding 3 per cent. of their gross earnings. No company has, up to the present, paid more than 2 per cent. of its gross earnings.

As a bargain had been made between the Government and the Canadian Northern Railway Company, when they were being encouraged to build railroads throughout the Province, that this

tax should not exceed 2 per cent. the rate fixed by the Lieutenant-Governor-in-Council for all railways was 2 per cent; but on account of the Canadian Pacific Railway Company putting forward a claim that they could not be taxed upon earnings on portions of their lines outside of the original boundaries of the Province at the time they obtained their charter, and contentions that the work involved in dissecting the revenues earned in the Province upon traffic emanating within and terminating without, emanating without and terminating within, and passing through the Province, would be very difficult and expensive to compile, special arrangements were made with the Canadian Pacific Railway Co., from time to time, as their revenues or earnings increased, and in order to make the tax upon the Canadian Northern Railway Co. on an equitable basis with the Canadian Pacific Railway Co., their line was also dealt with by special arrangement with the Government from time to time. All other railways paid upon the 2 per cent. basis.

This tax yielded the Government, with respect to all railways operating within the Province, as follows:—

1900 .....	\$ 16,000.00
1901 .....	25,559.65
1902 .....	30,099.14
1903 .....	54,903.86
1904 .....	54,500.65
1905 .....	56,450.37
1906 .....	84,150.48
1907 .....	95,655.33
1908 .....	108,564.94
1909 .....	138,602.20
1910 .....	138,864.32
1911 .....	139,976.37
1912 .....	146,683.36
1913 .....	205,358.11
1914 .....	203,461.25
1915 .....	203,355.49
1916 .....	200,222.34
1917 .....	301,386.54
	<hr/>
	\$2,203,794.40

#### Succession Duties.

"The Succession Duties Act" of the Province was passed in the year 1893, being Chapter 31 of the Statutes of that year, and has had various amendments. In 1911 the following rates were established, and have been in operation since that time:—

DUTYABLE VALUE OF THE WHOLE ESTATE.		PERCENTAGES ON SHARES OF THE ESTATE PASSING TO				
		Grandfather, grandmother, father, mother, husband, wife, child grand- child, son-in-law, daughter-in-law.	Any one relative named in preced- ing column getting more than \$50,000.00.	Any other blood relative.	Any one relative referred to in preceding column getting more than \$50,000.00.	Any other person or beneficiaries.
Up to \$ 25,000.....		1½	—	1	—	5
Over 25,000 to \$ 50,000.....		1½	—	2	—	5
" 50,000 to 75,000.....	1	2	3	4	5	5
" 75,000 to 100,000.....	2	3	4	5	7½	7½
" 100,000 to 150,000.....	3	4	5	6	7½	7½
" 150,000 to 200,000.....	4	5	6	7	10	10
" 200,000 to 250,000.....	5	6	7	8	10	10
" 250,000 to 300,000.....	5½	6½	7½	8½	12½	12½
" 300,000 to 350,000.....	6	7	8	9	12½	12½
" 350,000 to 400,000.....	6½	7½	8½	9½	15	15
" 400,000 to 500,000.....	7	8	9	10	15	15
" 500,000 to 600,000.....	7½	8½	9½	10½	15	15
" 600,000 to 700,000.....	8	9	10	11	15	15
" 700,000 to 800,000.....	8½	9½	10½	11½	15	15
" 800,000 and upwards..	9	10	11	12	15	15

NOTE.—The rate per cent. of Succession Duty payable on that portion of an estate passing in Manitoba, is fixed on a basis of the valuation of the whole estate, as above.

The officers of the Department having charge of this work have felt that there were results from such taxation which were not quite equitable, and that there were anomalies very difficult to explain, and have prepared a draft for an amending Act. In preparing such draft, the following were laid down as correct principles upon which taxation of this kind should be based:—

1. To tax widows and children a less rate than more distant relatives and strangers.

2. To tax on a sliding scale, so that smaller amounts will be taxed equally in all estates, and specified surpluses over such amounts to pay higher rates on increasing scales until they reached fixed maximum rates, when no further increases in such rates will be made.

3. To grade rates, as they go higher, as evenly and regularly as possible.

4. To charge duty on the portion of an estate in Manitoba at a rate to be established on above principles, by the total size of the estate no matter where situated.

In framing the new table of succession duty rates, the officers were endeavoring to arrange the scale to charge practically the same amount of taxes as are now being received on average estates until the estates would become \$1,000,000.00 or upwards.

Tables of the proposed duties can be furnished on request, and information given thereon to the Committee, by officers of the Department.

#### **"Insurance Act" Fees.**

"The Manitoba Insurance Act," under which these fees are charged, was passed in the year 1894, providing that insurance companies could not do business in the Province without the Dominion licenses being registered and all other companies licensed and under supervision, and provided for a tax of \$200 on Dominion licensees doing fire and life business within the Province, and \$100 per annum on such companies getting their charter or Act of Incorporation within the Province and depositing security. Accident companies were called upon to pay \$25 per annum. Various additions and amendments have been made to the Act, which now also covers the licensing of—

Underwriter Agencies,  
Agents,  
Special Brokers,  
Plate Glass,  
Hail, Cyclone, and Tornado,  
Automobile,  
Marine, and  
Various classes of Guarantee Companies.  
Mutual Fire and Hail Companies are also supervised  
and taxed.

#### **Fire Prevention.**

As early as the year 1878, a form of fire prevention was imposed by Act upon the people of the Province, mainly covering prairie fires, timber fires, and such like. The original Act was extended from time to time until, in 1917, an Act was passed providing for the establishment of a Fire Marshal's Office to look into the causes of fires, and the best means to adopt to prevent such fires occurring, and imposing a small tax for the upkeep of such Fire Marshal's Office. This Act, as passed, provided for a

levy upon the various insurance companies affected, so as to reimburse the Province for expenses so incurred, but such levy was found to be impracticable and unjust, and by direction of the Government of the day was never imposed.

#### Automobile Taxation.

The Act taxing Motor Vehicles was passed in 1908, to which there have been several amendments. The tax at first fixed upon all motor vehicles was \$5.00 each per annum, but this has been increased until a tax or license fee of \$10.00 is now charged. The following net sums were received by the Provincial Treasurer from this source during the several years since the Act was passed:

1908 .....	\$ 1,900.00
1909 .....	3,000.00
1910 .....	9,105.00
1911 .....	14,500.00
1912 .....	20,000.00
1913 .....	35,000.00
1914 .....	40,000.00
1915 .....	90,000.00
1916 .....	137,699.03
1917 .....	194,697.00
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	\$545,901.03

The following table shows complete operations under "The Motor Vehicles Act" during the same period:—

Year	Tax	Autos	Transfer	Dealer	Motor Cycles	Chauffeurs	Permit	Receipts
1908.....	\$ 5	418	7	—	—	42	—	\$ 2,314.00
1909.....	5	708	—	10	—	103	—	3,348.00
1910.....	5	1715	1	32	—	304	—	10,897.00
1911.....	6	2436	210	82	264	734	—	23,909.00
1912.....	6	4099	255	118	551	983	—	34,141.00
1913.....	6	5475	387	143	841	1213	—	45,077.00
1914.....	6	6974	374	157	963	1120	—	54,194.00
1915.....	10	8786	599	164	945	1300	391	101,028.00
1916.....	10	11953	552	272	920	1262	461	134,598.00
1917.....	10	17507	1181	356	909	1840	675	195,035.50

#### Public Amusements.

This source of revenue is only in the experimental stage, but bids fair to bring in a considerable sum each year, and would seem to be levied upon a very proper class of the community, viz., those seeking amusement and those making profits out of same.

There has been a great deal of time and labor given to the preparation of the Act in the first place, and to details in the

application of the intention of the Act in the many and varied classes of amusement that have to be dealt with.

The revenue is obtained from two sources—firstly, from the man who is making a business of catering to the amusement of the public, and is collected in the form of a direct tax on such place of amusement, according to its seating capacity in the case of theatres, and in other cases, such as film exchanges, a fixed tax on the exchange in addition to a license fee of (\$5.00) five dollars. This is collected under "The Public Amusements Act," and presents very little difficulty in collection. Secondly, revenue is obtained under "The Amusements Taxation Act" from persons seeking amusement, and is collected by a tax on the price of admission or fee paid for the game or amusement participated in. There is a certain amount of difficulty in collecting this tax in some cases, owing chiefly to the different methods of charging the public for these amusements.

In the case of theatres or concerts or places where a definite charge is made for a seat, there is practically no difficulty, as a person entering same pays one fee for his amusement and a certain fixed tax according to the amount of the same, and this can be handled by the sale of tax tickets. In the case of pool rooms, the person seeking the amusement pays no definite fee to enter, but pays according to the number of games he plays. Owing to this there is nothing in the nature of a ticket office, and this makes it impossible to collect the tax by sale of tickets, and it has to be collected in cash on a ten per cent. basis. We have to rely on the honesty of the proprietor when he makes his sworn statement of tax collected. This again presents difficulties, chiefly in urban pool rooms, as a great number of them are run by men with very little education who keep no books or accounts and consequently it is sometimes hard to get accurate returns.

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#### **Detailed Information re "The Corporations Taxation Act."**

The Act, from the date of its passing, has only been applied to "Limited Liability Companies"; and the advisability of bringing manufacturing and commercial businesses under the Act might be a subject for consideration.

The Act from its first passing has undergone many changes. Basic principles of assessment have been altered and added to, and many of the sections dealing with its administration have been changed and added to.

On a careful perusal of the following statement, which shows a comparison of the methods of taxation of the several classes of

companies coming within the scope of the Act, it will be noticed there is a lack of uniformity in the method of assessment or computation of the tax:—

**Banks** are taxed on their head office and number of branches in the Province.

**Gas Companies** are taxed a flat rate.

**Electric Light Companies** are taxed on the population of the city or village in which the company is being operated.

**Express Companies, Incorporated,** are taxed on their head office and branches in towns.

**Telephone, Commercial Telegraphs, Loan and Trust Companies** are taxed on their gross income.

**Street Railways** are taxed on the mileage operated.

**Insurance Companies** on the premiums received.

**Land Companies** are taxed on the value of the property held by the company and on cash owing to the company.

**Special Brokers** are taxed upon the amount of gross premium charged to policy holders upon all policies secured by him, so that it will be readily seen that there are nine or ten different methods of assessment or computation of the tax, which easily leads to confusion and complication.

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## APPENDIX C.

**TAXATION IN BRITISH COLUMBIA**

*Synopsis and Observations by A. B. Clark, Professor of  
Political Economy, University of Manitoba.*

**I.—PROVINCIAL TAXATION**

Any study of the Provincial and Municipal Tax System at present in operation in Western Canada must inevitably take account of the terms of the British North America Act of 1867 for by that enactment the extent of the field available for exploitation is definitely determined, only its intensive development being left to the discretion of the Provincial Legislatures and their delegates the Municipal Councils.

Now, since the Act of 1867 reserved for the Dominion Parliament the exclusive right of levying and collecting customs and excise duties, it was necessary to make provision otherwise for the financial needs of the Provincial Governments. This was done in two ways. Firstly, there is the Dominion Subsidy consisting of (a) the debt allowance, i.e. the agreement to relieve the Province of a certain amount of debt or pay interest to it on a certain assumed indebtedness; (b) the grant of eighty cents per head on population; (c) a specific allowance for Government and Legislature; and, in the case of the three Prairie Provinces, (d) an allowance in lieu of public lands. Secondly, by Art. 92 of the British North America Act, the Provincial Legislatures are given exclusive authority in respect of certain branches of taxation.

(a)—Direct Taxation within the Province in order to the raising of a revenue for Provincial purposes.

(b)—Shop, Saloon, Tavern, Auctioneer, and other Licenses, in order to the raising of a revenue for Provincial, Local, or Municipal purposes.

It is to be noted that this does not prohibit the Dominion Parliament from levying direct taxes or licenses for Dominion purposes, since by Art. 91 it is given the right of raising money "by any mode or system of taxation."

But while the Provinces were granted the right of direct taxation, it appears to have been the prevailing opinion at the time that the various subsidies above enumerated, supplemented by the revenue from public domain where the Provinces possessed it, would almost suffice to meet their financial requirements. The actual experience however was far otherwise. For, under the Act of Confedera-

tion, the Provinces had been assigned certain important functions of government, the costliness of which tends to increase rapidly with the growth of the community and with the progress of science and its applications in the service of man. These functions included not only the administration of justice, and the establishment and maintenance of prisons, asylums, and hospitals, but education in all its branches, and the provision of municipal institutions, of roads, bridges, etc. Some of the above, it may be noted, are obviously functions which ought to have been undertaken by the Dominion Government.

The prejudice, however, which long prevailed in Canada against direct taxation led the Provincial Governments to shun the odium of imposing it, and to seek relief from financial pressure by, on the one hand, uniting, as they have repeatedly done, in demands for increased subsidies from the Dominion, and, on the other, by handing on to the municipalities certain expensive functions which properly pertain to the Province. But within the last quarter of a century the growth in number and expensiveness of the public services for which they are responsible has driven the Provincial Governments more and more to make use of their privilege of direct taxation. In Western Canada, British Columbia has been the path-breaker in this respect. There the Provincial Tax on Wild Land dates from 1873, and that on Real Estate from 1876.

Two of the most distinctive features of the provincial revenue system of British Columbia, features which have hitherto differentiated it most clearly from the systems of the Prairie Provinces are (1) the large proportion of its revenue which has been derived from the development of the immense natural resources of the province—its public lands, timber limits, mines and fisheries, and (2) the increasingly important contributions to that revenue made within recent years by the Provincial Income Tax.

Just as the Colonies which united as Provinces to form the Dominion in 1867 were allowed to retain in the hands of their own governments all the Crown lands, including timber lands, mines, minerals, or royalties, which had been transferred by the British Government to the several Colonies long prior to Confederation, so British Columbia on its admission in 1871 was accorded a like privilege. But in the case of the three Prairie Provinces, created since Confederation out of the territory acquired by purchase for the Dominion from the Hudson's Bay Company, the title to the public or ungranted lands has up to the present time been retained by the Government of Canada, for the benefit of the whole Dominion.

The merits of this policy do not call for discussion here. It is sufficient for our present purpose to note that it has given to British Columbia a much more elastic and more complex revenue system than that of her sister provinces of the Canadian West.

The only Dominion grant in lieu of lands received by British Columbia is \$100,000 against lands in the railway belt, and the whole Dominion Subsidy is absolutely smaller, and relatively to the total Provincial revenue very much smaller, than in the case of the Prairie Provinces. Taking the estimates for the current year, it amounts to only 6.3 per cent of the revenue of British Columbia, as against approximately 23.4 per cent in Alberta and Saskatchewan, if we exclude telephone receipts.

Elasticity is certainly a desirable characteristic of a good revenue system. "A good system of taxation", says Nicholson, "ought to provide for a self-acting increase in the revenue in proportion as wealth and population and the consequent demands of governmental expenditure increase."\* And, from this standpoint, the income tax is a most convenient constituent of any system of taxation. But an elastic revenue system, and in particular one that grows by leaps and bounds in times of prosperity through the exploitation of the public domain, may not be an unmixed blessing in the absence of sound principles of public expenditure. And if there is one lesson to be learned from the history of provincial and municipal finance in Western Canada it is the eternal truth of Gladstone's dictum: "Good finance consists more in the spending than the collecting of revenue."†

All over the west are to be seen striking examples of the hasty and ill-considered expenditure of public funds, generally in the way of provision for the needs of a remote and uncertain future. Public utilities have been constructed, and improvements carried out, on such a scale that their mere upkeep is now felt to be a burden. To discount the future at low rate is the characteristic mark of the provident individual or community. But it is clearly possible for public bodies—and it is remarkable how prone they are when dealing with the funds of the ratepayers—to discount the future at a rate altogether too low.

It must be admitted, however, that in British Columbia the situation of the Provincial Government is difficult and the demands on its discretion in the matter of expenditure peculiarly great. The Government is itself directly responsible for the administration of the immense unorganized territory, including all but a very small fraction of the area of the province. The public lands, timber, mines, and now also the fisheries, are under its direct control. In a province so vast and mountainous, with widely scattered settlements and mining camps, it is clear that the finance of administration is a serious problem. To provide the most rudimentary means of communication and transport alone involves immense outlay; and the Provincial Government has already built and maintains some 20,000 miles of road, and that in a country where road making is notoriously ex-

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\* "Principles of Political Economy," Vol. III, p. 288.

† Sir Algernon West's "Recollections," p. 474 (Nelson's edit.).

pensive. If then it has great resources at its disposal, it has also heavy financial responsibilities. In general it may be said that the need of expenditure grows more rapidly than the available revenue.

As will be seen from the table given below, during the years 1903 to 1913 the annual net revenue of the Province expanded from \$2,044,630 to \$12,510,215 and the expenditure from \$3,393,182 to \$15,412,332; and though during seven of these years there was a substantial excess of revenue, much more than the accumulated surplus was swallowed up in the huge expenditure on road building and public works which took place between 1911 and 1914. The outlay on public works is normally the heaviest item of expenditure. In 1913 it amounted to \$7,644,468; and even in this time of financial stringency it is still ahead of all the branches of expenditure, at the estimate of \$1,794,940, which is slightly more than the estimate for education.

**Revenue and Expenditure of the Province of British Columbia for  
the fiscal years 1902—3 to 1918—19.**

Year	Revenue	Expenditure
*1902—3 .....	\$ 2,044,630.35	\$ 3,393,182.25
*1903—4 .....	2,638,200.68	2,862,794.09
*1904—5 .....	2,920,461.71	2,302,416.84
*1905—6 .....	3,044,442.49	2,328,126.27
*1906—7 .....	4,444,593.81	2,849,479.97
*1907—8 .....	5,979,054.96	3,686,708.76
§1908—9 .....	4,664,500.99	3,741,143.44
†1909—10 .....	8,874,741.94	6,382,963.27
1910—11 .....	10,492,892.27	8,194,802.95
1911—12 .....	10,745,708.82	11,189,024.35
1912—13 .....	12,510,215.08	15,412,322.02
1913—14 .....	10,479,258.74	15,762,912.48
1914—15 .....	7,974,496.46	11,942,667.00
1915—16 .....	6,291,693.60	9,880,662.37
1916—17 .....	6,906,783.63	9,079,317.70
1917—18 (estimates) .....	9,868,325.13	10,800,804.67
1918—19 (estimates) .....	9,900,055.13	11,611,694.08

In 1911 the financial prosperity of the Province was such that a reduction in taxation was contemplated, and as a preliminary to this a Royal Commission on taxation was appointed to enquire into and report on the operation of the "Assessment Act" and its practical bearing on the revenues of the Province. After a careful investigation the commission made certain recommendations of which the most important were: (a) the abolition of the Revenue (or Poll) Tax; (b) the abolition of the Personal Property Tax; (c) the revi-

(\*) 1902-3 to 1907-8—1st July to 31st June. (§) 1908-9—1st July to 31st March (9 months). (†) 1909-10 to 1918-19—1st April to 31st March.

sion of the Income Tax, so as to reduce taxation on the possessors of small incomes and readjust its incidence on those enjoying the larger incomes; (d) the exemption of improvements from the Real Estate Tax.

The Provincial Government accepted the recommendations, and in 1913 proceeded to abolish the Poll Tax at a loss of \$360,000 to the revenue. The Minister of Finance in his budget speech of that year further intimated that it was proposed in two years' time to exempt improvements from taxation, and in four years' time to abolish the tax on personal property and readjust the incidence of the Income Tax as recommended by the Commission. "Our aim" he said, "is as soon as possible, by easy stages, to reach a point where direct taxation will be eliminated and our revenues will be obtained from the natural resources of the Province".

But alas! already while the Finance Minister spoke the golden age of surpluses had gone and that of deficits and growing indebtedness had succeeded. The Personal Property Tax with all its defects is still retained. The old general Revenue Tax of \$3 per head was succeeded after a four years' interval by a Poll Tax of \$5, but, contrary to the view expressed by the Royal Commission, levied only on those who do not pay its equivalent in Provincial or Municipal taxes. Improvements are not exempt from the Provincial Real Estate Tax, save in the case of land used for agricultural or pastoral purposes when there is an exemption up to \$1,500. Otherwise, they are assessed and taxed at the same rate as land.

No statesman in British Columbia would now, with the lesson of the last five years before him, propose to raise the revenue of the province solely from its natural resources, or yet from the taxation of the unimproved value of land.

The absolute as well as the relative importance of the revenue from natural resources has declined very considerably since the close of the period of inflation and speculative activity. Timber royalties and licenses, for example, yielded in the fiscal year 1912-13 \$2,457,129, while the estimate for this year is \$1,760,000. Again, Land Sales which yielded \$2,344,596 in 1912-13 are in this year's estimate credited with only \$50,000. Thus, notwithstanding substantial reductions in expenditure, it has been necessary to rely to an increasing extent on the revenue from taxation; and the fiscal screw has accordingly been applied with vigour. By amendments to the Taxation Act in 1917 and 1918 the taxes levied on different classes of property and income have been substantially increased and the result is seen in a greatly increased yield. Thus the real property and wild lands, personal property and income taxes, which together contributed \$1,483,749 to the revenue of 1912-13, are estimated to yield \$4,515,000 in the fiscal year 1918-19. The Revenue from taxation in the strict sense has increased from \$2,457,472 in 1916-17 to \$5,620,000 in the estimate for 1918-19.

The net revenue of the Province for the fiscal year 1918-19 is estimated at \$9,900,055, and of this aggregate the income from different forms of taxation accounts for \$5,620,00, or 56.8 per cent. Licenses and fees, which are often in reality taxes, together amount to \$624,085, or 6.3 per cent. The balance is made up of the Dominion Subsidy, \$623,135; incomes from the Departments of Lands and Mines, \$2,315,150 (of which Timber Licenses, Leases, Royalties and Sales are credited with 85 per cent.); and miscellaneous receipts, \$707,685.

## REVENUE OF BRITISH COLUMBIA FOR THE YEARS

1910, 1913, 1917 to 1919\*

	1910	1913	1917	1918	1919
Dominion of Canada:				(estimated)	(estimated)
Grants .....	\$ 522,076	\$ 732,489	\$ 723,135	\$ 623,135	\$ 623,135
Land sales .....	2,618,189	2,344,596	218,453	350,000	50,000
Land revenues .....	175,778	301,184	79,919	75,000	75,000
Timber sales .....			85,357	154,000	125,000
Timber royalties and licenses .....	2,234,099	2,475,129	1,759,469	2,068,000	1,760,000
Succession duties ..	108,495	193,524	277,702	400,000	300,000
Land registry fees ..	408,226	712,258	196,663	180,000	150,000
Real property tax ....	335,744	459,570	532,106	1,330,000	1,000,000
Personal property tax	161,691	197,790	291,412	700,000	600,000
Poll tax or Revenue tax .....	260,000	360,000	.....	150,000	300,000
Wild land, coal and timber lands tax ..	250,904	546,087	521,325	915,000	700,000
Income tax .....	190,984	280,302	296,801	1,090,000	2,215,000
Mineral tax .....	102,609	155,163	287,257	300,000	85,000
Coal and coke tax ..	222,723	302,225	194,536	120,000	160,000
Tax on unworked Crown-granted mineral claims ..	39,870	42,733	37,904	50,000	40,000
Chinese Restriction Act .....	356,200	1,723,990	.....	.....	.....
Insurance Co. licenses taxes and fees ...	.....	36,609	76,581	.....	63,225
Motor traffic fees ..	.....	.....	134,361	120,000	150,000
Amusements tickets tax .....	.....	.....	18,429	100,000	200,000
Interest, general ..	157,493	276,522	75,803	50,000	75,000
Interest on Sinking Fund Investments	56,145	74,187	106,285	90,000	190,000
Miscellaneous receipts .....	45,632	290,457	136,826	100,000	29,690
Other receipts, viz.: Survey fees, water revenue rents, free miners' certificates, mining receipts, licenses, fines and fees, law stamps, etc. ....	627,283	1,023,400	855,920	903,190	989,005
	<u>\$8,874,742</u>	<u>\$12,510,215</u>	<u>\$6,906,784</u>	<u>\$9,868,325</u>	<u>\$9,900,055</u>

\*British Columbia Public Accounts and Estimates; and Vancouver Board of Trade Bulletin, No. 2, 1918, by F. W. Rounsfall.

The following are the different sources of Provincial Tax Revenue and the rates at present in force.

**Land Taxes**—(a) Real Property (other than Wild Land, Coal and Timber Lands). The taxation Act requires that real and personal property shall be assessed at their actual cash value in money, i.e., not the price for which the property would sell at auction or at a forced sale, but the price which the Assessor believes it to be fairly worth at the time of the assessment—the price at which the property would generally be taken in payment of a just debt from a solvent debtor.

Land and improvements are separately assessed, but improvements are not exempt from taxation, save in the case of farm land, i.e., land used for agricultural or pastoral purposes, on which there is an exemption of improvements up to the value of \$1,500.

The Provincial real estate tax dates from 1876. Unlike the personal property tax and the income tax, it is not levied within the boundaries of the municipalities. The tax rate has frequently been varied and is at present 1 per cent on the assessed value.

(b) Wild Land—The term Wild Land includes all land, other than coal and timber land, which has not on it improvements amounting to \$2.50 per acre when west of the Cascade Mountains, and \$1.25 per acre when east of the Cascades. The Wild Land Tax in British Columbia was first imposed in 1873 but had been repeatedly modified. It is not applicable to land within the municipal boundaries. Up till 1903, Wild Land included also timber and coal land, but since then they have been separately assessed and taxed.

The obvious purpose of the Wild Land Tax is to discriminate against the owner of unimproved land and thus stimulate improvement. There is, however, no convincing evidence that the tax has had any appreciable influence in this direction. The present tax rate on wild land is 5 per cent. on the assessed value.

**Coal Land**—This is divided into two classes:

Class A.—Includes land from which coal is being mined. On this the tax rate is 1 per cent. of the assessed value.

Class B.—Includes all other coal land. Here the rate is 4 per cent. of the assessed value.

**Timber Land Tax**—This is at present 3 per cent. of the assessed value.

**Personal Property**—This, like real estate, is assessed at its actual cash value, and the tax is at the same rate as the real property tax, i.e., 1 per cent. on the assessed value. Its productiveness, however, is seriously diminished, as everywhere else, by practical difficulties of administration resulting in evasion.

The abolition of the tax was strongly recommended in the report of the Royal Commission in 1912 on the ground that its incidence is inequitable as between different classes of the community. It is impossible, they held, to obtain a just measure of assessment for all trades or to reach more than a small fraction of personal property. It gives a distinct inducement to dishonesty, and it involves the danger of double taxation, as in the case of debts when both borrower and lender may be taxed. So far as income-yielding personalty is concerned, this tax is merely an alternative to the income tax, being payable only if it amounts to more than the tax on income. Further, there are numerous and important exemptions from the personal property tax, such as: farm produce, live stock, agricultural implements, machinery and vehicles to the value of \$1,000; household effects, unsecured book debts, moneys deposited in a bank in the Province, and duly registered mortgages upon land or personal property in the Province.

**Income Tax**—British Columbia has the distinction of being the only province in Canada save Prince Edward Island that levies an income tax for Provincial revenue purposes. It was first imposed in 1897 as a tax on all persons with incomes over \$1,000, and the rate varied from 1½ per cent. to 4 per cent. There have been repeated modifications since then, both in the classification of incomes and the rates imposed. But the tax has proved eminently successful from the standpoint of productiveness, and is now the largest individual item in the Provincial Revenue. The Royal Commission in its report in 1912, after an exhaustive survey of the evidence, stated that the Income Tax is generally regarded as the fairest tax, and recommended its substitution for the personal property tax. The desirability of this change has been admitted by the Government, and the alteration will doubtless be made when opportunity offers. The present tax is as follows:

The income of every person up to and including \$1,500 is exempt. The "taxable income" (or excess over \$1,500) of every person is taxed on a graduated scale varying from 1 per cent. on Class A, in which the "taxable income" does not exceed \$2,000, to 10 per cent. on Class G, in which the "taxable income" exceeds \$20,000.

**Poll Tax**—This is a tax on males over 18 years of age, of \$5 per annum. The following are exempt: Any person who during the year ending 31st December immediately preceding has paid provincial or municipal taxes or license fees, in the Province, to the amount of \$5; men over 60 years of age whose incomes do not exceed \$700, members of the active militia and the active naval and military services, and returned disabled veterans of the present war.

Employers must furnish the Collector with a list of their employees, pay the tax, and deduct it from wages.

Up to 1913 there was a Poll Tax under the name of Revenue Tax, but it was then abolished in accordance with the recommendation of the Royal Commission. The present Poll Tax dates from 1917.

**Amusement Tickets Tax**—This is a graduated tax varying from 1 cent when the price of admission is not more than 5 cents, to 50 cents when it is more than \$2.50.

The exemptions include: religious and semi-religious entertainments, agricultural fairs and exhibitions, exhibitions of paintings and charitable exhibitions and entertainments.

**Mineral Tax**—Mines and minerals are under the Taxation Act treated as a separate class of property. Mines other than coal or gold mines, are assessed and taxed on the *income* arising therefrom or on the *output*, whichever happens to be the greater. The tax on output, assessed and collected quarterly, is 2 per cent. on the value of ore removed. Where the yield amounts to less than certain sums in any one year the tax is partly or wholly refunded.

These taxes take the place of all taxes upon the land, so long as it is not used for other than mining purposes, and of all taxes on the personal property used in the working of the mines.

Gold mines are assessed and taxed on the income arising therefrom. On iron ore removed there is an *additional* tax of 37½ cents per ton of 2,000 lbs., save where the iron ore is used in the Province as a flux in the smelting of ores of other metals.

**Unworked Crown-granted Mineral Claims**—These are taxed 25 cents per acre; whether within or without the boundaries of any municipality.

**Coal and Coke Taxes**—On coal there is a tax of 10 cents per ton of output except when shipped to coke ovens in the Province, and on coke the tax is 15 cents per ton save when produced from coal taxed as above.

**Salmon Canneries or Fisheries Taxes**—In addition to being assessed and taxed on their real property, salmon canneries are assessed and taxed on income, or on the pack, whichever tax is the greater. The tax on the pack is at the rate of 4 cents a case (48 lbs.) of salmon packed, 75 cents a tierce (750 lbs. or under) of mild cured salmon, 15 cents a barrel (200 lbs.) of cured and pickled salmon, and 5 cents per hundredweight of dry salted

salmon. Where the tax on income proves to be the greater, payments collected on the pack are taken as part payment of the former tax.

Whale-oil manufacturers, in addition to paying the tax on real property, are assessed and taxed on their income or on the product, whichever is the greater. The tax on product is 10 cents per barrel of whale-oil, and 20 cents per ton of fertiliser, whale-bone and bone-meal.

These cannery and fishery taxes are in substitution for all taxes on personal property used in the business.

**Taxes on Corporations**—Under the Taxation Act, all corporations not specially provided for are subject to the provincial taxes on personal property and income, and on real estate situated outside the municipal boundaries.

Certain corporations, however, namely: insurance companies; guarantee loan and trust companies; telegraph, telephone and express companies; gas and waterworks companies; electric light, electric power and street railway companies—are specifically mentioned as exempt from the tax on income and personal property, and subject, in addition to the tax on their real estate, to a tax of 2 per cent. on gross revenue arising from business transacted in the Province. In the case of fire insurance companies, the gross revenue from premiums taxed under the "Fire Insurance Act" is exempt.

Banks are assessed and taxed on their real property and non-revenue-bearing personal property within the assessment district in which such property is situated. Further, every bank doing business in the Province pays, in lieu of a tax on its income arising from such business, \$3,000 where it has only one office; and where it has more than one office \$3,000 for one and \$500 for each of the others.

**Railway Taxation**—Railway Companies pay 2 per cent of the assessed value of their right of way, railway, personal property and income therefrom—assessed and taxed as a whole as real property, the assessed value being taken as \$10,000 per mile of the track of the main line and branches, and \$3,000 per mile of sidings, spurs, and switches.

This does not apply to electric trams within municipalities, nor to railways used exclusively for transporting logs or coal, or for the free carriage of workmen employed in connection therewith; nor does it apply to the real property of a railway company situated within the limits of any municipality.

Railway subsidy lands, sold, agreed to be sold, pre-empted

or leased, are, unless specially exempted, subject to taxation.

Buildings used for other than railway purposes are assessed and taxed as real property, wild land, coal land or timber land as the case may be.

**Succession Duties**—The rates are graduated according not only to the total value of the property passing, and the degree of relationship, but also to the amount passing to one person. They vary from  $1\frac{1}{2}$  per cent when an amount exceeding \$25,000 but not exceeding \$100,000 is passing to relatives in the direct line (with an extra rate of 1 per cent. when more than \$50,000 is passing to any one person) to 20 per cent. where an amount exceeding \$600,000 is passing to strangers.

**Probate Duty**—There is also a probate duty payable on Personal Property, except when it passes to the wife, children, or grandchildren. The rate when the property passes to the husband, father, mother, brother, or sister is 1 per cent, and in the case of all others 5 per cent.

#### **Permanent Board of Taxation**

The need of a careful study of the problem of taxation in all its bearings has been definitely recognized by the Government of British Columbia. At the 1917 session of the Legislature an act was passed creating a permanent Board of Taxation as a branch of the Treasury Department. The Board is to consist of three members and their duty is simply to study and advise the Minister of Finance in all matters relating to taxation—to investigate systems of taxation, re-distribution of assessment districts, etc. They may make any recommendations bearing on the revision of the tax laws with a view to bringing the system of British Columbia up to the best standard. To any one investigating the tax system of British Columbia the assistance to be obtained from the experts of the Board of Taxation is simply invaluable.

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## II.—MUNICIPAL TAXATION

Municipal Government in British Columbia dates from 1860 when New Westminster was incorporated by special charter, followed by Victoria in 1862. But the physical environment in British Columbia has not been conducive to the rapid development of municipal institutions, and even in 1892 there were only eleven municipalities—three on Vancouver Island and eight on the mainland—all of which had been incorporated by letters patent or special charter. In 1896 all these municipalities were brought under the provisions of the Municipal Clauses Act of that year, in so far as their charters were not inconsistent therewith. And all municipalities incorporated since 1892 come wholly within the jurisdiction of that act. The legislation respecting municipalities is now embraced in the Municipal Act, 1914, and later amendments. Municipalities have increased in number considerably in recent years, especially during the period of rapid industrial development from 1902 to 1913.

But the organized municipal areas even yet cover only a relatively small part—about four-fifths of one per cent—of the whole Province; and over the immense unorganized territory the Provincial Government itself levies and collects all taxes and disposes of the revenues accruing therefrom.

The municipalities at present number sixty-three and are divided into two groups known as “cities” and “districts” respectively. The first of these groups contains thirty-five municipalities and the second twenty-eight. The basis of the classification, however, is no longer apparent. It appears to be in the main a matter of tradition. The Municipal Incorporation Act of 1896 required for a city municipality an area of not more than two thousand acres and a population of not less than one hundred male British subjects of full age, while for a township or district municipality there must be at least thirty such residents within the area proposed to be included. But this has little relation to the facts of today. The district municipalities cover in general a much larger area than the cities, but many have a fairly large and some a very large population, while many of the cities have a very small one. Thus South Vancouver, Point Grey, and Burnaby are district municipalities with populations of 25,000, 13,000, and 12,000 respectively, while there are cities—Alberni, Sandon, and Slocan, to wit—with only 500, 425, and 100 inhabitants respectively.

A different classification of the municipalities has, however, been suggested by Mr. F. A. McDiarmid, Solicitor for the British

Columbia Union of Municipalities, in his "Memorandum" relating to the draft of a new Municipal Act, recently prepared at the request of the Provincial Government. It is there proposed to divide the Municipalities into four classes. The first class will include only the cities of Victoria and New Westminster; for Vancouver City, having a special charter does not come within the provisions of the Municipal Act. In the second class are placed seventeen of the more important cities and six of the more developed district municipalities. The third class includes the balance of the present cities, and the fourth the balance of the district municipalities. Provision will be made for changing, where it is deemed necessary, the classification of any municipality, and also for a possible fifth class of municipality to be created for the purpose of carrying on specified work within the municipal area, such as irrigation, drainage, or dyking. A Municipality of this class may for all other purposes be wholly or partly within the area of another municipality. It "may be incorporated under the provisions for the sole purpose of police protection within a definite area, or fire-protection, or lighting or water service, so that a particular area, which may be called a village area inside a rural municipality, may have corporation conveniences at their own expense, and without interfering at all with the general obligations of the rural municipality or the distribution of their general taxes. In such case, of course, provision will have to be made that the lands should be assessed not at their actual value as part of the village property, but at their value as if they were lands of the highest class of agricultural lands in the rural municipalities surrounding, and of which they form a part."

Some acquaintance with this scheme for re-classifying the municipalities is essential to an understanding of the proposed reforms in taxation to be dealt with later.

Within the municipal areas the Provincial Government has handed over the taxation of real estate to the Municipal Councils. At the same time, it continues itself to levy and collect, within as without the municipal boundaries, other taxes such as the income tax, the personal property tax, the poll tax, the amusement tickets tax and succession duties. A certain proportion, however, of the money so raised is returned to the municipalities in the form of school and hospital grants.

The following is a brief account of the existing municipal taxes:

**Real Estate Tax**—This is the great source of municipal revenue. For the purpose of taxation there is an annual assessment, and land and improvements are separately assessed. Land is estimated at its actual cash value, i.e. the value at which the property would generally be taken in payment of a just debt from a solvent debtor; and improvements are assessed for the amount of the dif-

ference between the actual value of the whole property and the unimproved value of the land. The minimum real property tax is two dollars. The poles, cables, and wires of telegraph, telephone, electric light or electric power companies, within municipalities, are assessed as land, the rate per mile being \$200 in Victoria and New Westminster, \$100 in other city municipalities, and \$75 in district municipalities.

But while these are the principles of assessment prescribed by the Municipal Act, there can be no question that they have within recent years been more honoured in the breach than the observance. The municipal assessment of land has admittedly been greatly in excess of its actual value, and is only now being gradually brought into accordance with it. In the matter of improvements the practice seems to differ in different municipalities. The City of Kamloops, for example, assesses improvements at about 80 per cent. of their value and taxes them on 25 per cent. of that assessment.

Formerly in British Columbia it was the custom for the municipalities to apply to the real estate men for valuation of the land. But now it is recognized that the resulting assessments were much too high. Experience seems to show that the real estate owner conceives his interest to lie in keeping the general assessment high, with an exception in the case of his own property which he as a rule considers over-assessed.

The rates levied have to be fixed by by-law annually, and differ in different municipalities. For general purposes the rate may not exceed one-and-a-half cents on the dollar. In only a few cases did it reach that level in 1917. For Board of Health and hospital purposes it is limited to a maximum of 1 mill. on the dollar. The rate for school purposes was formerly limited to not more than seven mills. But that restriction was repealed in 1915, and in 1917 the school rates levied in different municipalities varied all the way from one mill in Pitt Meadows to 15 mills in Kaslo. For sinking funds and interest on debt, the rate to be levied is of course limited only by the needs of the case and the discretion of the council, the former of which are frequently great and the latter not always apparent. In 1917 there were debt rates as high as 25, 30, and even 42 mills.

Land is taxed on its full value. But the rate on improvements may not be levied on more than 50 per cent of their assessed value, and may at the discretion of the Council be levied on less, or improvements may be altogether exempted from taxation. Such has been the law ever since 1892.

Of this privilege of local option in taxation full advantage has been taken by many of the municipal councils. The City of Nanaimo, under a special charter granted in 1874, was permitted to

exempt improvements entirely, and has continued to do so ever since. Nanaimo has this year (1918) a tax rate on land values of 42.15 mills, of which 18.67 mills is levy against debenture debt. But it was only in 1891 that this privilege of local option was extended to the municipalities generally, and of it they gradually took advantage to an increasing extent, till in 1914 of sixty-one municipalities, thirty-nine wholly exempted improvements, four taxed them on values varying from 10 per cent. to  $33\frac{1}{3}$  per cent. of their assessed value, and only seventeen on the legal maximum of 50 per cent. But since then the so called "single-tax" policy has decidedly lost ground. In 1917, of the sixty-three municipalities, twenty-three—including about half the "cities"—taxed improvements on the legal maximum of 50 per cent of the assessed value, one on forty per cent., one on  $33\frac{1}{3}$  per cent., one on 25 per cent, one on 10 per cent. and one on 5 per cent., while the remaining thirty-five—including three-fourths of the district municipalities—wholly exempted improvements from taxation.

While the figures for 1918 are not yet available, there are further defections from the "single tax" standard. South Vancouver, for example, which formerly exempted improvements, now under the constraining hand of Mr. F. J. Gillespie, the Commissioner appointed by the Provincial Government, taxes them on one third of their assessed value. In several other municipalities where the policy of whole or partial exemption continues it is no longer supported with the old robust faith.

This policy of concentrating municipal taxation on the unimproved value of land has been in operation in British Columbia long enough to afford a fairly reliable basis of judgment as to its merits and defects. It is generally defended by its adherents on the ground that it removes the burden from the shoulders of the improving citizen, and so tends to attract capital and stimulate building and development generally, while at the same time it gets at the "unearned increment" of the absentee speculative owner who is supposed to be holding the land out of use. But while reasoning of this character seems to have been behind the movement to some extent in its earlier stages, the extensive adoption of the policy in the municipalities of British Columbia was undoubtedly due, in great part, to the fact that during the golden age of real estate inflation the tax on land values came to yield all, or almost all, the revenue required for municipal purposes. The speculative owner too, paid without a murmur so long as the annual increment in land value made even heavy taxes seem a trifle.

But light come light go. A revenue so easily obtained was as readily squandered in expensive undertakings, entered on in many cases at the instigation of those—sometimes members of the municipal councils—who desired a further inflation of real estate values in order to enable them to unload at a profit. These ven-

tures in turn entailed extensive borrowings based on the absurdly inflated assessments. Then came the chilling frost of monetary stringency and with it the collapse of real estate values. Municipal councils were suddenly and rudely, if reluctantly, awakened to the fact that their too heedless pursuit of the single-tax will-o'-the-wisp, had landed them in a very deep financial bog. For real estate values, at once the source of municipal revenues and the security for municipal loans, now shrank with alarming rapidity, and seemed in many cases, like the creations of Prospero's magic art, to melt "into air, into thin air," and "leave not a rack behind."

Real estate, formerly an appreciating asset, now became to its owner an increasingly burdensome liability. And the outbreak of war, which relieved in some respects the economic situation in Western Canada, only served to aggravate the revenue difficulties of the municipalities. Taxes, based on extravagantly inflated assessments, ceased to be met. Many of those liable for taxes were protected against action by enlistment in the over-seas forces. Many more were either unable or unwilling to pay heavy taxes on land which for the time at least had little or no market value. Others again, and they appear to be a fairly numerous class, simply declined to pay so long as they felt they could rely on the forbearance of the municipal councils.

This forbearance has, unfortunately, too often taken the form of culpable weakness in the face of demands for the postponement of tax sales.

**Tax Sales**—While by statute the collector has a right of action for recovery of unpaid taxes, he may, if he deems it advisable, levy such delinquent taxes by sale of the lands. Resort to this weapon may to some extent have been checked by the fact that the method of obtaining titles to land bought at tax sales is admittedly much in need of simplification. Indeed, it is expected that a measure to this end will be passed at next session of the Provincial Legislature. But this is certainly not the chief cause of the very marked and regrettable tendency on the part of the municipalities of British Columbia to postpone tax sales. That tendency is sufficiently accounted for by the fact, that by statute, it is in the discretion of the council to extend by by-law the time for the levy of taxes by sale of the lands to the year following that in which they are due. Thus the delinquent tax vote becomes a powerful factor making for delay, through its influence on the election of councils and the intimidation of councillors; for at the intervening council election that vote is invariably cast for candidates—not infrequently themselves tax delinquents—who favour postponing tax sales to next year, or, for that matter, to the Greek Kalends. The subordination of municipal finance to municipal politics has in this as in other respects been productive of the most serious evils.

The inevitable outcome has been an enormous accumulation of arrears of taxes. The aggregate amount of such arrears in the municipalities of British Columbia has increased from less than six million dollars in 1914 to almost fourteen millions at the close of 1917. This growth of arrears has been accompanied by heavy borrowing, in order to meet current expenses of administration, and to finance extravagant undertakings handed on in many cases as a legacy from the period of feverish development.

A notorious case is that of South Vancouver, a district municipality, and the largest in British Columbia, with a population of 25,000, which has today arrears of taxes amounting to over \$800,000 and a debt of \$7,000,000 or \$280 per head. So glaring had become the financial mismanagement in this municipality that the sinking funds had been impaired to the extent of \$267,000, and the deficit for 1917 alone was over \$300,000. The Provincial Government was thus compelled to intervene, and took the extreme step of appointing a Commissioner to administer the affairs of the municipality and set it again on its financial feet. This task Mr. F. J. Gillespie, the Commissioner, estimates as possible of accomplishment in five years. In the meantime, heedless of excited demands for his resignation, and protests by a noisy section against the "gross injustice" of the "disfranchisement of the people assessed" and "taxation without representation", Mr. Gillespie has taken a long step towards the goal he has in view by re-introducing the tax on improvements. These had been exempt from taxation, in South Vancouver, for six or seven years. This year they are being taxed on 33 $\frac{1}{3}$  per cent. of their assessed value. The tax rate on real estate has been continued at the 1917 level of 41.4 mills on the dollar, and so also with the wild lands tax of 50 mills on the dollar. Tax sales, which have been in abeyance, will be resumed in 1919 "as soon as the British Columbia Legislature has amended the tax sale act simplifying the method of obtaining titles."

Mr. Gillespie's views on the taxation of improvements and on assessment are well worthy of emphasis:

"Personally I believe that improvements should be taxed. In this municipality sixty per cent. of the lands are held by non-residents who never take any interest in the elections; hence the other forty per cent. who reside in the municipality are the people who pass all money by-laws, and who are really responsible for the \$7,000,000 of indebtedness that exists at the present time. If they had always been paying taxes on improvements I doubt if they would have voted those large sums of money, and if they did so vote, they would at least see to it that they got value

"My experience over a good many years in the East convinces me, that an improvement tax should always be kept to the front. It is the one tax that brings home to the house-holder the pro-

sperity or otherwise of his or her municipality. I might mention, too, that the office of Assessor is a very important one. Values should be kept down to at least the supposed cash price of the property. In this particular Municipality the assessment was up to \$46,000,000. It is today about \$19,000,000. It never should have been more."

But South Vancouver is not an isolated instance. It merely affords a striking and notorious example of a malady which afflicts to a greater or less extent British Columbia municipal finance as a whole, the natural result of a vicious system of taxation which seeks to throw the burden of municipal government wholly on a section of the citizens, combined with the reckless expenditure which is itself in no small degree the result of that system.

The gravity of the financial situation is sufficiently shown by the official figures given by Mr. R. Baird, Inspector of Municipalities in his address to the Convention of British Columbia Municipalities at Penticton on September 19th, 1918. Mr. Baird stated that in 1917 the municipalities of the Province in the aggregate secured a revenue of \$10,700,000, out of which they had to set aside more than \$9,000,000, to meet uncontrollable expenditures such as sinking funds, bond interest, etc., thus leaving about a million and a half for the ordinary expenses of municipal administration. Yet in the year they spent \$3,744,000 on these ordinary expenses—an over-expenditure of more than two millions.

#### **Need of Central Control—A Local Government Board**

This situation has led at last to a very general recognition of the truth that a greater degree of central control than has hitherto existed is essential if sound principles are to govern local financial administration. Accordingly, in Mr. McDiarmid's "Memorandum" relating to the draft of a new Municipal Act, to which we have already had occasion to refer, we find that the most important change suggested is the provision for this central control by the constitution of a Local Government Board. The duties and powers to be entrusted to the Board, which is to consist of three persons appointed by the Lieutenant-Governor-in-Council, are very comprehensive, and many of them are identical with those of a Public Utilities Commission. But the point which concerns us here is that the first and most important function of the proposed Board is "the oversight and control of all municipalities in all matters affecting the finances thereof".

**Rebates and Percentage Additions**—The tax levy on real estate is at present subject to a system of rebates for prompt payment, the maximum rebate being one-sixth of the amount of the tax. But this system renders uncertain the yield of the tax, and in the draft of the new Municipal Act it is proposed to substitute for these abatements, a system of percentage additions on delayed pay-

ments,—10 per cent. to be added on the 1st day of July in each year, and a further 5 per cent. on the 1st day of October.

**Wild Land Tax**—The definition of Wild Land, or Unimproved Land given in the "Municipal Act" is different from that in the Provincial "Taxation Act." For municipal purposes it means, "land claimed by any person on which there shall not be existing improvements to the value when assessed of ten dollars per acre." On such land, the municipalities are authorized to levy a special rate not exceeding five per cent. of its assessed value. Only a small minority however have elected to do so. The reason for this was clearly explained by the late Mr. John B. McKilligan who long held the office of "Surveyor of Taxes and Inspector of Revenue." It appears that where vacant land in municipalities—"wild land"—has been subdivided into small lots, it is assessed and taxed as real property, i.e. on the same basis as the unimproved value of the land already built on. Its assessment as real property or building land is higher than it would be as wild or agricultural land, while the tax rate for real property is lower than the "wild land" rate. This method is on the whole more productive from the standpoint of municipal revenue, while a higher assessment and a lower tax rate is perhaps, in good times at least, more grateful to the property owner. In any case, in Mr. McDiarmid's "Memorandum" it is proposed that in the new Municipal Act "there shall be no wild land tax."

In addition to their revenue from the Real Estate Tax and the Wild Land Tax, the Municipalities also raise small amounts by means of the Road Tax or the Statute Labour Tax, the Dog Tax and Licenses.

**Road Tax**—This is a tax of not more than \$2 per head per annum, levied on persons between the ages of twenty-one and sixty who have been resident within the municipality for thirty days. Its imposition is optional with the municipalities, and it does not apply to persons paying other taxes such as the Real Estate Tax. It is thus the municipal equivalent of the Provincial Poll Tax.

**Statute Labour Tax**—This tax is levied only in District Municipalities where there is no Road Tax, (1) on males between the ages of twenty-one and sixty who have resided thirty days in the municipality, the tax not exceeding two days labour in any one year which may be commuted at the rate of \$2 per day; (2) on every person assessed for land at not more than \$500, at the rate of one day's labour, and an additional day's labour for every \$500 or part thereof. But the rate of this tax on landowners may be reduced by the council. It may also be commuted at a rate not exceeding one half of one per cent. on the valuation. The Municipal Council has power to reduce or abolish Statute Labour. It is everywhere admitted to be a wasteful tax, and ought to be abolished.

**Dog Tax**—This is a tax not exceeding \$5 per annum upon all dogs over the age of six months, or \$10 for a kennel of five or more.

**Licenses**—There is in the Municipal Act provision for the usual system of licenses on trades and occupations. But the rules still governing the system of municipal licenses date from 1872; and, while there have been occasional slight changes in detail, the system has never been remodelled and is now admitted to be very much in need of a thorough revision.

While it is true that the municipalities obtain small sums by means of the Road Tax or the Statute Labour Tax, the Dog Tax, and Licenses, there is none the less serious ground for Mr. McDiarmid's plea for a wider basis of municipal taxation: "This is the only Province of the Dominion in which the municipality has practically nothing to tax in relief of the land tax ..... It is impossible, in my opinion to put the case for some substantial widening of the taxing power of the municipality too strongly, but any one of a dozen courses are open to the Minister in applying a remedy."

The plan suggested for the British Columbia Municipalities, re-classified in the manner already explained, is as follows: In Municipalities of the first three classes it is proposed that a rates by-law shall be passed annually on or before 1st February, and in those of the fourth class, at such time as the Council may deem fit, by which land and improvements will be taxed according to their separate assessed value. The rates are to be sufficient to provide for (a) interest and sinking funds for debts; (b) all amounts necessary for schools; (c) all lawful purposes of the community of a rate not to exceed 15 mills on the dollar. The amount expected to be raised by the taxation of land and improvements is not to exceed 60 per cent. of the total revenue in municipalities of the first class, 75 per cent. in those of the second, and 85 per cent. in those of the third class. No municipal wild land tax is to be levied. But the balance of the municipal income is to be raised by means of licenses, personal property tax, business tax and income tax.

Such is the scheme outlined in the Memorandum. But it is clear that the utilization of the personal property and income taxes for municipal purposes would, if adopted, represent a material modification of the existing relations between the Provincial and Municipal revenue systems of British Columbia. The personal property tax, it may be suggested, is hardly likely to prove more successful as a municipal tax than it has been as a provincial tax. Whatever be the outcome, the force of the argument for widening the basis of municipal taxation is beyond question. There seems no good reason why the municipalities should be prohibited, as they have been since 1892, from taxing improvements on more than 50 per cent. of their assessed value.

## VICTORIA CITY

The City of Victoria while governed under the general Municipal Act deserves special consideration, not only because it is the capital city of British Columbia but because its recent financial history provides an interesting commentary on the policy of exempting improvements from taxation. Victoria is a city with an area of 4,637 acres, the present population of which is estimated at 45,000, with over 20,000 more in the suburban municipalities of Oak Bay, Saanich, and Esquimalt. In common with other cities of Western Canada, Victoria has suffered a considerable decline in population within the last five years. Its attractions as a residential city, however, ensure it a greater element of stability than is possessed by others less favored by nature and dependent for their attractiveness entirely on local industrial conditions. Recently, the prosperity of the farming population of the Prairie Provinces has contributed to increase Victoria's population during the winter months, and it is now also benefiting from railway development, and from the revival of shipbuilding. It is possible, however, to overestimate the durability of this advantage.

Like the other municipalities of British Columbia, Victoria has always depended for its revenue mainly on the taxation of real estate. Prior to 1892, improvements, like land, were assessed and taxed on their full value, but the rate levied on improvements was only 7.5 mills as against 15 mills on land. Between 1892 and 1896 improvements were assessed sometimes at 50 and sometimes at 25 per cent. of their value and taxed on the full assessment, but at rates distinctly lower than those on land. In 1897, improvements were, as was now required by law, assessed on their full value but on to 1910 they were taxed only on 50 per cent. of their value. In 1911, after an election had been held on that issue, they were wholly exempted from taxation, and have continued so ever since. It is admitted however that in Victoria as in Vancouver the transition to the "Single Tax" was not the result of a deliberate and well thought out policy, but largely of the nature of an accident due to the fact that the sudden rise in the land value assessment was yielding an abundant revenue without taxing improvements. As the following table shows, the land value assessment in 1911 was more than  $8\frac{1}{2}$  million dollars in excess of the combined assessment for 1910, and nearly  $14\frac{1}{2}$  millions in excess of the taxable assessment of that year.

## Victoria Assessments 1908—1917

	Land	Improvements	Total
1908 .....	\$15,386,360	\$ 9,264,490	\$ 24,650,850
1909 .....	17,961,060	10,365,060	28,326,120
1910 .....	26,288,892	11,602,130	37,890,000
1911 .....	46,516,205	13,491,780	60,007,985
1912 .....	71,670,770	17,071,360	88,742,130
1913 .....	89,130,150	23,152,540	112,282,690
1914 .....	89,151,990	26,803,940	115,955,930
1915 .....	80,751,035	28,191,545	108,942,580
1916 .....	62,641,219	25,302,431	87,943,650
1917 .....	53,694,922	25,196,630	78,891,552

It will be seen that the assessment of Victoria for land and improvements combined, rapidly increased from \$24,650,850 in 1908 to \$88,742,130 in 1912 and \$115,955,930 in 1914. Since then there has been a rapid reduction to the 1917 level of \$78,891,552. A further substantial reduction is being made this year and it is intimated\* that the land assessment will be approximately 45 million dollars, or little more than half that of 1914. It was admitted that the assessments had become very inequitable as between different classes of property, and at last session of the British Columbia Legislature, provision was made in the "Victoria City Relief Act 1918 (No. 2)" for the appointment of two Commissions, each consisting of three members. The one was to revise the assessment roll and as far as possible equalize assessments "by rectifying the classification, or reducing or increasing the assessed value of any land, on the same street, in the same vicinity or of the same or a similar class." The aggregate assessed value of the rateable land of the City was not, however, to be reduced below forty-five million dollars. The Commissioners it was reported in September had prepared the new roll by which some of the heavy burden on semi-business property had been removed, and the assessment raised on high class residential sites, while the aggregate land assessment had been reduced almost to the \$45,000,000 set as the limit by the Relief Act. The assessment is without appeal and binding also on the Council.

The other Commission was to re-adjust the local improvement charges, and instruct the council as to the relief to be given at the expense of the corporation. Provision was made in the Relief Act for the payment of the commissioners; but in both cases public spirited citizens gave their services free of charge.

Like other cities of Western Canada that have unduly restricted the basis of taxation by adopting the policy of exempting improvements, Victoria has experienced the difficulties arising from

\*"Victoria Daily Times", 18th September, 1918.

the growing tax delinquency since the collapse of the real estate boom. At the close of 1917 the arrears of general taxes amounted to \$1,803,604 and those of local improvement taxes to \$1,254,016, making a total of \$8,633,055 of unpaid taxes accumulated since 1913. As a natural consequence, there was outstanding on Dec. 31st, 1917, a bank overdraft on general revenue account of \$210,000 and another on local improvement account of \$359,909.82, or \$569,909.82 in all.

Meanwhile the debenture debt of the city has been growing apace, as will be seen from the following table.

	General Purposes	Local Improvements	Total
1909 .....	\$ 3,728,772	\$ 505,245	\$ 4,234,017
1913 .....	9,220,310	4,925,974	14,146,284
1917 .....	10,450,069	8,526,786	18,976,855

#### Debenture Debt

The debenture debt of the city for general purposes at December 31st, 1917, was constituted as follows:

Schools .....	\$ 1,500,888.69
Streets and Bridges .....	175,000.00
Waterworks .....	4,227,260.59
Sewers.....	2,356,866.67
Surface Drainage .....	275,000.00
Fire Protection .....	139,026.68
Electric Lighting .....	130,000.00
Miscellaneous .....	1,646,026.67
	<hr/>
	\$10,450,069.30

The financial difficulties of the City, consequent on the accumulation of arrears of taxes and the monetary stringency, had become so acute that the Provincial Legislature had at its last session to pass an Act, "The Victoria Relief Act", by which the City of Victoria was granted greater powers than it possessed under the general Municipal Act in respect of the renewal or extension of time for payment of treasury certificates and treasury bills falling due on 1st February 1919.

By the same enactment, provision was made for the payment of arrears of taxes on a plan which might be expected to stimulate such payment and so relieve the financial difficulties of the City. By this plan, those with arrears of taxes up to 31st December, 1917, might either (a) receive a full discharge by paying on or before 15th September, 1918, 90 per cent. of General Taxes, the full amount of Local Improvement Taxes, and half the interest due on the whole; or (b) spread the payment over 10 years by pay-

ing on or before 15th September, 1918, and subsequent years, one tenth of 90 per cent. of the General Taxes, the whole of the Local Improvement Taxes, 90 per cent. of the interest on General Taxes to 1st January, 1918, and the whole of the interest on Local Improvement Taxes to the same date, together with interest at 7 per cent. on the capital sum from 1st January to 15th September of the first year, and 7 per cent. per annum for subsequent years on the unpaid balance.

Under the scheme large payments of arrears were being made when the writer was in Victoria, and it was estimated that between one-and-a-half and two million dollars had been paid up by 15th September. This brings much land once more into the taxpaying category and so far tends to improve the financial position of the City.

For those tax delinquents who fail to take advantage of one or other of the above methods of payment, there remains the argument of the Tax Sale. There have been no tax sales in Victoria since 1915, when one was held for the arrears of 1912 and 1913. But under the Victoria Relief Act a sale must be held this year. Arrears of taxes are diminishing and the City is now in a better financial position than for some time back.

But while the City continues for this year to exempt improvements from taxation, that policy is by no means popular. It is felt, however, that any change towards taxation of improvements can only be gradual. Several large blocks have been erected under the exemption system, and on the assumption that it was a settled policy. This, it is said, constitutes an argument against a sudden change. It may be so, but surely the argument from vested interest should have been equally valid as a protection to the landowner in 1911. In any case, it is now generally admitted that exemption of improvements is not a settled policy in Victoria.

The tax revenue of the City for the year 1917 was derived from the following sources:

General Taxes .....	\$711,918.33
Special Rates (Water Frontage, Boulevard, Cluster Light, Sewers) .....	62,398.79
Dog Tax (\$2.00 per annum) .....	4,505.00
Licenses (Liquor and Trades) .....	50,244.40
Road Tax (\$2.00 if no property taxes paid. Original- ly a commuted Labour Tax) .....	6,370.00
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	\$835,436.52

The tax levy for 1917 was 23.14 mills, of which 10.35 was for the service of the City's debt, 9 for general municipal purposes, 2.95 for schools and .84 for health.

From the real estate tax there are the usual exemptions prescribed by the Municipal Act. Church land, it must be noted, is not now exempted. That was settled for the Province generally after debate in the Legislature last session.

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## VANCOUVER CITY

The City of Vancouver was incorporated by special charter in 1886, and, unlike Victoria, has not elected to operate under the provisions of the general Municipal Act. The Vancouver Charter has been often-times amended, and was revised and consolidated in 1900, but, owing to numerous amendments since then, is again much in need of consolidation.

The problem of taxation in Vancouver is somewhat different from that of the cities of the Prairie Provinces. As a rule, these cities contain within their boundaries all, and often more than all, the territory their population is likely to occupy within any future that need be considered. Vancouver, on the other hand, with an area of 10,784 acres, and a population estimated at present at 105,000, is from the fiscal standpoint at a disadvantage, in that an exceptionally large proportion of those whose incomes are earned within the city reside beyond its limits. The suburban municipalities: North Vancouver, Burnaby, South Vancouver and Point Grey, are in reality the residential quarters of Greater Vancouver, but are beyond the tax jurisdiction of the City Council. In the absence of amalgamation, too, this difficulty will naturally become accentuated with the lapse of time, as the suburbs grow and the city tends more and more to become a mere business quarter. This is a situation that must not be overlooked by those who would understand the problem of municipal taxation as it presents itself in Vancouver.

### The Real Estate Tax

From the first, the bulk of the city's revenue has been derived from the taxation of real estate; and in 1917, out of the total income on general revenue account of \$4,799,088, the general levy and local improvement taxes together amounted to \$4,116,334, or 85.7 per cent.

The principle laid down in the city charter for the assessment of real estate is the same as that prescribed by the Municipal Act. All rateable property is to be estimated "at its actual cash value as it would be appraised in payment of a just debt from a solvent debtor," the value of the improvements being estimated separately from the value of the land. The exemptions from taxation allowed by the charter are very limited, and church property is not amongst them.

### Exemption of Improvements from Taxation

As early as 1891 the Vancouver City Council had authority under the charter for the partial or complete exemption by by-law

of improvements from taxation. The power, however, at first remained in abeyance, and it was not till 1895 that the first step was taken in this direction. The City Council in that year exempted 50 per cent. of the assessment of buildings and improvements. And, as this was just at a time when what was to prove a decade of stagnation had not long begun—when land values were actually falling and the value of improvements at the best increasing but slowly—the result was a contraction of the combined assessment on which the real estate tax was levied. The tax rate, however, was left as before at 16 mills, and there was thus a shrinkage in the amount of the tax levy. Indeed, the level of 1894 was not again reached till 1903, when the period of rapid industrial development and speculative activity, which was to characterise the next ten years, was just beginning.

In 1905 a proposal to tax buildings on only 40 per cent. of the assessment was heavily defeated in the Council. But next year, 1906, the land value assessment having suddenly leapt from \$16,739,640 to \$25,101,760, it was resolved to tax buildings on only 25 per cent. of their assessed value. This still left the combined taxable assessment of land and buildings nearly \$5,582,000 in excess of that of the previous year. The tax rate, which since 1901 had stood at 18 mills, was now, apparently as a precautionary measure, raised to 20 mills, but resulted in a large surplus.

Again, in 1910, when it was decided to remove the tax from the remaining 25 per cent. of the improvements assessment, and thus entirely exempt buildings from taxation, the land value assessment had risen in one year from \$48,281,000 to \$76,882,000. This gave a taxable assessment of land values alone, greater by nearly \$22,500,000 than the taxed assessment (\$54,383,000) of land and buildings combined in the previous year.

The whole movement from its inception seems to have aroused very little interest among the great body of the citizens; and from this brief survey of the facts it would appear that whatever influence, if any, the specious reasoning of the "single taxers" may have had in bringing about the initial reduction of the taxed assessment of improvements in 1895, there is no need to look for any such influence to account for the steps of 1906 and 1910, by which the complete exemption of buildings from taxation was reached. The familiar arguments touching the virtue of taxing the absentee landowner who thrives by the industry of others, and encouraging the good citizen by untaxing industry, which fell on deaf ears in 1905, were not needed in 1906 and 1910 when land values were bounding upwards. The phenomenally rapid increase in land values was undoubtedly the chief factor in bringing about the change. It at once furnished the opportunity and stifled opposition.

The Vancouver City Council simply accepted in practice the conception of taxation held by Colbert, the great minister of Louis XIV, who defined it as "the art of plucking the goose so as to get the maximum amount of feathers with the least possible squealing." To tax land values only was, under the existing conditions, to follow the path of least resistance. The tax, possessing for the time the primary requisite of productiveness, was eminently satisfactory from the standpoint of the city exchequer. In vain was it pointed out that such a wanton disregard of Adam Smith's canon of equality would ere long endanger the health of the real estate goose. As a matter of fact, the bird soon languished, and its contribution to the annual levy of feathers speedily fell into arrears.

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**COMPARATIVE STATEMENT SHOWING ASSESSMENT, RATE, TAXES, GROSS INCOME AND EXPENDITURE, FROM DATE OF INCORPORATION OF CITY IN 1886 TO CLOSE OF FISCAL YEAR ENDING DECEMBER 31st, 1917**

Year	Real Property	Improvements	Assessable Property	Total	Rate of Taxation Mills on \$ Nett	Gross Amount of All Taxes Levied Each Year	Tax Arrears at Close of Each Year	Gross Revenue Each Year	Total Expenditure from Revenue Including City Improvements Interest and Sinking Fund	Population at Close of Year
1886	2,456,842.00	182,235.00	\$ 2,639,077.00	\$	.....	\$ 32,998.46	\$ 3,510.82	\$ 16,935.71	\$ 14,708.65	1,000
1887	2,786,509.00	677,096.00	3,463,605.00	12 1/2	Mills	43,295.06	4,984.60	67,196.23	41,798.53	5,000
1888	5,275,596.00	730,027.00	6,005,623.00	12 1/2	"	75,070.28	7,532.82	98,663.27	97,263.57	8,500
1889	8,077,505.00	1,326,940.00	9,404,445.00	12 1/2	"	117,555.56	13,340.27	144,561.70	128,746.59	10,500
1890	10,477,420.00	1,501,665.00	11,979,085.00	12 1/2	"	239,581.70	27,799.88	231,656.54	238,326.58	*13,685
1891	14,061,311.00	2,586,401.00	16,647,712.00	16	"	208,096.40	38,019.01	214,851.80	258,451.62	15,000
1892	16,032,744.00	2,832,960.00	18,865,704.00	16	"	377,314.08	87,402.51	325,298.98	314,413.92	16,000
1893	15,513,604.00	2,787,480.00	18,301,084.00	16	"	366,021.68	143,521.67	336,386.14	308,954.84	17,000
1894	13,829,724.00	4,317,660.00	18,147,384.00	16	"	323,771.18	190,192.03	318,018.49	294,176.85	17,864
1895	13,109,394.00	4,278,680.00	17,388,074.00	16	"	304,974.68	204,377.08	372,901.51	335,686.78	19,000
1896	13,000,869.00	4,441,490.00	17,442,359.00	16	"	304,432.28	221,090.85	389,481.11	361,343.91	20,000
1897	12,672,649.00	4,551,740.00	17,224,389.00	16	"	298,970.38	196,024.83	450,730.78	427,683.60	22,000
1898	12,705,099.00	5,011,190.00	17,716,289.00	16	"	304,213.88	166,404.50	474,971.98	482,016.63	24,000
1899	12,826,905.00	6,726,740.00	19,553,645.00	16	"	323,805.50	178,161.89	485,366.36	540,481.13	24,750
1900	12,792,530.00	7,440,600.00	20,233,130.00	18	"	330,256.60	133,593.49	610,894.00	639,886.88	*26,133
1901	12,842,150.00	8,223,220.00	21,065,370.00	18	"	339,095.20	142,149.49	536,259.04	648,569.11	29,640
1902	13,845,565.00	9,091,270.00	22,936,835.00	18	"	367,824.00	121,705.97	625,395.70	584,853.87	34,480
1903	14,440,935.00	10,247,920.00	24,688,855.00	18	"	391,297.90	97,700.62	645,719.45	679,363.77	38,414
1904	16,739,640.00	11,804,250.00	28,543,890.00	18	"	475,299.58	79,480.45	696,333.17	683,317.97	45,000
1905	25,101,760.00	14,087,640.00	39,189,400.00	20	"	670,776.17	74,705.10	916,148.71	809,230.75	52,000
1906	38,346,335.00	16,381,475.00	54,727,810.00	20	"	985,119.80	126,975.22	1,280,646.24	1,231,121.16	60,100
1907	41,641,370.00	20,127,035.00	61,768,905.00	20	"	1,089,316.83	163,121.12	1,447,173.45	1,388,669.04	66,500
1908	48,281,330.00	24,405,210.00	72,686,540.00	20	"	1,258,769.39	150,231.20	1,695,705.62	1,643,617.56	78,900
1909	76,881,820.00	29,572,445.00	106,454,265.00	20	"	1,773,535.83	179,296.74	2,366,518.71	2,204,242.01	93,700
1910	98,720,345.00	37,858,660.00	136,579,005.00	20	"	2,304,483.02	265,019.90	3,013,930.30	2,876,990.49	111,240
1911	138,557,595.00	53,515,295.00	192,072,890.00	20	"	3,183,572.93	510,136.12	4,008,762.30	3,843,033.79	122,100
1912	144,974,525.00	68,010,654.00	212,985,179.00	20	"	3,403,152.55	728,695.22	4,386,526.27	4,610,482.93	114,220
1913	150,456,000.00	76,199,743.00	226,655,743.00	22	"	4,182,532.53	1,863,985.08	5,234,110.02	5,251,694.04	106,110
1914	145,198,630.00	79,004,253.00	224,202,883.00	22	"	4,233,648.16	3,137,423.73	4,333,296.00	4,989,395.40	97,995
1915	139,463,435.00	74,895,475.00	214,358,910.00	22	"	4,049,226.53	4,219,211.33	4,899,271.85	4,769,593.65	95,922
1916	139,922,600.00	75,942,580.00	215,865,180.00	24	"	4,348,037.69	5,043,110.92	5,229,572.64	5,114,757.64	102,550
1917	132,910,135.00	75,716,910.00	208,627,045.00	24*	"	4,660,000.00	.....	.....	.....	105,000

From 1895 to 1905 improvements were taxed on fifty per cent. of value; from 1906 to 1909 on twenty-five per cent. From 1910 all improvements were exempt from taxation, till 1918, when they were again taxed on twenty-five per cent. of their value.

\* Dominion Government census.

\* The net rate quoted for Vancouver allows for the 10 per cent discount on payments before 15 September. In other cities the gross rate is usually quoted, and in Vancouver in 1917 that was 26.66 mills.

### Arrears of Taxes and the Shirking of Tax Sales

The arrears of taxes as will be seen from the table given above, have accumulated rapidly since 1906, when they stood at \$74,705, and with startling rapidity since 1913 when they amounted to \$732,695, till at the close of 1917 they had risen to \$5,043,111, of which \$4,123,086 were general taxes and \$920,025 local improvement taxes. If to this we add the accrued interest on delinquent taxes, amounting to \$356,230, we have a grand total of \$5,399,340 owing to the city by the owners of land within its boundaries.

This accumulation of tax arrears has become a serious menace to the financial position of the city. On December 31st, 1917, for example, there was a debt on treasury notes amounting to \$3,020,000 borrowed on the security of specific tax arrears. Against this there were reserve funds for redemption to the amount of \$521,782, leaving a balance of \$2,498,218 secured by nothing save tax arrears the payment of which the city apparently dare not enforce. There has been no tax sale since 1909. Time and again the proposal had been shelved on the plea that the time was inopportune, and that a tax sale would cause unnecessary hardships. This reluctance to bring the matter to an issue has admittedly been productive of gross abuses. Many certainly cannot pay, but others will not so long as tax sales are held in abeyance. The treatment of the most recent proposal for a tax sale may be cited in illustration of the attitude of the Vancouver City Council.

On October 20th, 1918, at a meeting of the Council, it was stated by the chairman of the Finance Committee that the total of tax arrears then stood at \$5,750,000, which included some \$750,000 of this year's levy, while the city had heavy payments to meet in December and more especially in June next. He, therefore, brought in a by-law to authorize a tax sale this year covering all lands on which taxes were in arrears up to 1915. This was opposed by the Mayor and defeated by his casting vote. Mayor Gale stated that there were 6,950 owners of property in arrears and a tax sale would bring distress to at least fifty per cent of these.

In fine, it comes to this: that having adopted the heroic policy of concentrating the taxation necessary to meet the expenses of city government wholly on the landowner, the Council has for years confessed itself impotent to enforce payment. A policy that culminates in such an *impasse* stands in need of no further condemnation.

It seems probable that a solution of the difficulty will have to be sought in a compromise arrangement similar to that in operation in Victoria. By the Act amending the City Charter passed at last session of the Legislature, the City Council obtained power to pass a by-law capitalizing arrears of taxes up to the end of 1918, together with accrued interest thereon, and giving delinquents an

opportunity to clear off their arrears in ten annual payments, interest being charged at the rate of 8 per cent. per annum from 1st January, 1919. If this arrangement is adopted, tax sales become compulsory; for the statute requires that the Council shall in each of the years 1919-1928 pass a by-law authorizing the sale of any land on which the owner has not paid by 15th Sept. one-tenth of the capital sum in arrears, with interest.

This however, can provide but a temporary palliative, which leaves altogether untouched the root of the evil—the narrow and unreliable basis of civic revenue.

Meanwhile, as will be seen from the general revenue account for 1917, given below, out of a total expenditure of \$4,716,573.07, the provision in the form of interest and sinking funds for the service of the city's debt accounted for \$2,356,580.54, or almost 50 per cent. If to this we add the \$245,010.94 required for the service of the waterworks debt, we have a grand total to be provided annually of \$2,601,591.48 for interest and sinking funds, absorbing almost half the total revenue of the city on both general and waterworks accounts.

#### CITY OF VANCOUVER

##### Revenue Account for the Year Ended December 31st, 1917

#### INCOME

General Revenue Account (see below) .....	\$4,799,088.10	
Waterworks Revenue Account .....	430,484.54	
		<u>\$5,229,572.64</u>

#### EXPENDITURE

General Revenue Account (see below) .....	\$4,716,573.07	
Water Works Revenue Account .....	398,184.57	
		<u>\$5,114,757.64</u>
Surplus, General Revenue .....	\$ 82,515.03	
Surplus, Water Works Revenue .....	32,299.97	
		<u>114,815.00</u>
		<u>\$5,229,572.64</u>

## General Revenue Account for the Year Ended 31st December, 1917

## INCOME

General Taxes, 1917, gross levy .....	\$3,723,315.78	
Less Rebates .....	231,703.44	
Net .....		*\$3,491,612.34
Local Improvement Taxes, 1917—		
Paving .....	\$ 406,078.73	
Cement Walks .....	\$ 406,078.73	
Sewers .....	6,445.27	
Street Widening .....	82,264.81	
Ornamental Lighting .....	13,330.26	
		616,273.76
Street Sprinkling Taxes, 1917 .....		8,448.15
		<u>\$4,116,334.25</u>
Sundry Licenses .....	\$ 133,902.20	
Sundry Rentals .....	16,452.32	
Sundry Fees and Receipts .....	147,309.38	
		297,663.90
Government Grant for Schools .....		185,997.45
Interest on Commutations .....		162.25
Interest Accrued on Delinquent Taxes .....		194,449.50
Adjustment of Unexpired Insurance .....		4,480.75
*Collected .....	\$2,117,229.32	
Outstanding .....	1,374,383.02	
	<u>\$3,491,612.34</u>	<u>\$4,799,088.10</u>

## EXPENDITURE

General Expenditure—		
Finance Committee .....	\$ 471,685.91	
Fire and Light Committee .....	336,525.59	
Police Committee .....	300,640.37	
Health Committee .....	40,352.07	
Parks Committee .....	48,336.72	
Library Board .....	27,997.31	
Works Committee .....	360,677.58	
Market Committee .....	1,142.62	
Industrial Committee .....	5,606.17	
Relief Committee .....	60,481.83	
	<u>\$1,653,446.17</u>	
School Trustees, Operating and Main- tenance .....	\$706,546.36	
School Trustees, Sinking Fund and Interest on School Debentures .....	213,432.52	
	<u>919,978.88</u>	<u>\$2,573,425.05</u>

Interest and Sinking Fund Provision for Debentures other than those for Water Works and School Purposes .....	1,915,662.91
Interest and Expense on Treasury Notes .....	\$190,710.00
Interest on Bank advances, etc. (net) .....	36,775.11
	<u>227,485.11</u>
	\$4,716,573.07
Balance (surplus) carried to Revenue Surplus Account .....	82,515.03
	<u>\$4,799,088.10</u>

The following estimate of public expenditure in the building up and maintenance of Vancouver City, supplied by the Chairman of the Finance Committee, gives some idea of the extent to which the owners of land have been over-taxed under the system which exempts improvements:—

#### CITY OF VANCOUVER

##### Capital Expenditure on Construction

Streets .....	\$ 4,414,100.00
Bridges .....	2,828,500.00
Sewers .....	4,440,000.00
Water .....	4,749,351.20
	<u>\$26,165,352.22</u>
Fixed Charges on Outlay, approximately .....	\$ 1,800,000.00 = 78% of whole fixed charges
Maintenance and Upkeep .....	200,000.00
	<u>\$2,000,000.00</u>

##### Capital Expenditure on Improvements

Fire, Police, Parks, Schools, Hospitals, etc .....	\$ 9,311,200.00
Local Improvements (Lighting) .....	107,881.93
	<u>\$ 9,419,081.93</u>
Fixed Charges on Outlay, approximately .....	\$ 500,000.00 = 22% of whole fixed charges
Maintenance and Operating .....	1,500,000.00
	<u>\$ 2,000,000.00</u>
Land Assessment .....	\$140,000,000.00
Improvements, approximately .....	70,000,000.00
	<u>\$210,000,000.00</u>

According to above analysis an equal amount should be raised from land and from improvements (\$2,000,000.00 from each, i.e., 50% each). As the assessment of land is double that of improvements (a proportion of 2 to 1), the relative position would be as follows, according to basis of taxation:—

	Propn. borne by Land	Propn. borne by Improvements	Excess against land above 50%
If improvements are taxed 100%.....	66 2-3	33 1-3	16 2-3
" " " " 50%.....	83 1-3	16 2-3	33 1-3
" " " " 25%.....	91 2-3	8 1-3	41 2-3
" " " " Nil.....	100	.....	50=Double Taxation

### The Return to a Broader Basis of Taxation

Already, however, there are not wanting evidences that Vancouver is awakening to the dangers inherent in her present fiscal system, and to the need of returning to a safer practice based on a sounder theory of taxation. *Tempora mutantur, nos et mutamur in illis*. Just as rising land values and surplus revenues led to the exemption of improvements from taxation, so the contraction of land values, the accumulation of arrears of taxes, and growing debts have already brought about the first step in the reversal of that policy. Vancouver, unlike the cities of Alberta and Saskatchewan, has power to exempt or to tax improvements without appealing to the Provincial Legislature, and this year it has exercised that power by taxing improvements on 25 per cent. of their assessed value.

Moreover, the bill amending the Vancouver Incorporation Act, promoted by the city council at last session of the Legislature, contained a clause validating a by-law for the imposition of a business tax; and the rejection of the clause by the Legislature was entirely owing to the organised opposition of the Retail Merchants' Association.

This scheme for a business tax is interesting as a combination of the Winnipeg and Ontario systems. In Ontario the assessed *capital value* of the *real estate* occupied is taken as the basis, and for the purpose of the business tax the different businesses and professions are classified, and taxed at a uniform rate but on different percentages of the assessed value of the *real estate*. In Winnipeg the assessed *annual rental* value of the *premises* occupied is taken as the basis, and the business tax is a uniform percentage (6% per cent.) of this annual value on all classes of business. The Vancouver City Council's scheme would take the annual rental value of the *land* occupied, classify the different businesses and professions, and levy a uniform rate on different percentages of this annual land value, e.g., on 100 per cent. in the case of distilleries, 60 per cent. for wholesale merchants, 50 per cent. for retail merchants, and so on. But when the taxable assessment so ob-

tained for any person would be less than \$200 he would be assessed at \$200.

To meet the objection taken that net income is the fairest test of tax-paying capacity, and that this scheme does not take sufficient account of differences in the income obtained even within the same class of business or profession, the chairman of the Finance Committee of the Council has prepared a scheme for a *business surtax*. For this purpose it is proposed that income returns as submitted to the Provincial Government by persons, companies, corporations, etc., doing business in Vancouver, be available for use by the city in connection with the business tax assessment; and that when the net income of any business shown on such returns exceeds the assessed rental value of the business on the city's assessment roll, capitalised on a 20 per cent. basis, then any such excess income (less the amount of provincial income tax payable) shall be subject to a surtax at a rate bearing the same proportion to the business tax rate as the assessed annual rental bears to the capitalised sum. But no surtax is to be chargeable unless the net income shown exceeds \$1,500.

The following table supplied by Alderman Kirk, chairman of the Finance Committee, illustrates the combined application of the proposed business tax and surtax:—

#### BUSINESS TAX PAYABLE ON INCOME OF \$6,000.00

Class	Example showing Exemption				
	50 p.c.	50 p.c.	50 p.c.	75 p.c.	50 p.c.
Rent per annum.....	\$1,200.00	\$2,400.00	\$1,800.00	\$1,200.00	\$300.00
Assessment .....	600.00	1,200.00	900.00	900.00	200.00 (Min.)
Tax, 10 per cent. ....	60.00	120.00	90.00	90.00	20.00 (Min.)
Surtax calculation)					
Provincial Tax )	3,000.00	6,000.00	4,500.00	4,500.00	Exmptn 1,500.00
omitted.....)	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	Income \$1,500.00
	3,000.00	.....	1,500.00	1,500.00	.....
	2 p.c.		2 p.c.	2 p.c.	
Surtax .....	\$ 60.00	Nil.	\$ 30.00	\$ 30.00	Nil
Gross Tax .....	120.00	120.00	120.00	120.00	\$20.00

#### TORONTO

Rent .....	\$1,200.00
Capital value, 10% depreciation .....	12,000.00
Assessed .....	3,000.00
Tax, 2½ % .....	\$ 75.00
Surtax, 2½ % .....	75.00
	<u>\$150.00</u>

#### WINNIPEG

Rent .....	\$1,200.00
Tax, 6 % of rent .....	80.00

The argument for a city business tax is peculiarly strong in the case of Vancouver, owing to the large proportion of its business

people who reside, as we have seen, in the suburban municipalities. But if it is desired to levy a business tax on the basis of the net income derived from business, then the Dominion and Provincial income tax returns would seem to afford a more reliable means of ascertaining business incomes than any outward signs such as rental values, however carefully the businesses may be classified.

**City Bank Tax**—There has been for the past two years what is sometimes described as a business tax on banks, at the rate of \$800 for a head office and \$150 each for branches. In its present form this is essentially a license, and the yield, amounting in 1917 to \$16,550, is rightly included amongst the revenue from licenses.

### Licenses

It is possible, indeed, that in view of the adverse vote in the Legislature last session, the general business tax proposal may be abandoned for the time, and an attempt made to secure the necessary revenue, and at the same time tax business profits, by means of a general license system.

In the city charter a number of specific licenses are designated, those on certain businesses running up to between two and three hundred dollars per annum. Moreover, by recent Amendment Acts the city has been given the right to license any business, profession, or calling it was not already empowered to license. At present, however, only about 25 per cent. of the businesses in Vancouver really pay licenses. In fact, it may be said that in Vancouver, hitherto, licenses have only been issued in the case of businesses and amusements for regulation purposes and the protection of the public. But in September last, when the writer visited the city, a by-law was in preparation by which a general license fee of \$20 per annum is provided for, with higher rates in certain cases. In this way, every person or company conducting a business, and every individual practising a profession, will be made to contribute towards the revenue of the city. The by-law will also put into operation the power granted at the last session of the Legislature for licensing all persons or corporations using vehicles of any sort for the purpose of their business, for classifying such vehicles and differentiating in the fees to be imposed on the different classes. In this connection it should be noted that automobiles are licensed by the city as well as by the Province. In 1917 the city licenses of automobiles and taxi-cabs, and automobile drivers, yielded \$13,756.50 out of a total revenue from licenses and transfers during the year of \$66,493.15. The transfer fee is 20 per cent. of the original license, and only one transfer is allowed.

It is estimated that with its enlarged powers Vancouver City should now be able to obtain an additional revenue of about \$100,000 from licenses.

A system of low licenses is a convenient and legitimate source of local revenue. But no system of licenses can be other than a very imperfect substitute for a business tax. On this head one cannot but agree with the opinion expressed in a recent report of a committee of the National Tax Association:—

"It is evident that a tax of fixed amount, such as is often imposed by license taxes, even though the amount may vary for different trades and occupations, cannot, on account of its inequality, be recommended as an adequate method of taxing business. In connection with licenses imposed upon certain occupations chiefly for the purpose of police regulation, a charge of fixed amount may be entirely wise and unobjectionable. But the case is very different with a tax levied with a view of obtaining revenue."\*

In Vancouver, it should be added, there is at present close and effective co-operation between the police and license departments of the city.

**Local Improvement Taxes**—Local improvement taxes, in the shape of frontage taxes and special assessments, are levied to cover the cost of pavements, cement walks, sewer construction and street widening, and ornamental lighting. There is also a special assessment for street sprinkling. On pavements and sidewalks all the cost, except that of street intersections and 15 per cent. of the flankage of corner lots, is paid by the property owner. The payments extend over from five to twenty years, according to the character of the pavement. It has for some years been admitted that the burden of local improvements on the property owner is both excessive and unequally distributed. They are called on to pay for improvements on streets and roads which are carried out not so much, if at all, in their interest as in that of the city at large. By the latest amendment to its charter the city now has power to relieve the private owner up to the extent of 50 per cent. of the cost of such improvements. In the case of corner lots, Alderman Kirk, chairman of the Finance Committee, holds that 40 per cent. rather than 85 per cent. should be the owner's share of the cost of flankage.

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\* "Preliminary Report of the Committee of The National Tax Association to prepare a Plan of a Model System of State and Local Taxation," 1918, p. 28

## APPENDIX D.

**TAXATION IN ALBERTA**

*Synopsis and Observations by A. B. Clark, Professor of Political Economy, University of Manitoba.*

**I—PROVINCIAL TAXATION**

On September 1, 1905, the Province of Alberta was created, in terms of the Alberta Act of that year, out of what had hitherto formed part of the North-West Territories. The area of the province is 255,285 square miles, and the population at the census of 1916 was 496,595.

Like Manitoba and Saskatchewan, Alberta did not on becoming a Province obtain the title to the public domain within its boundaries, but in lieu thereof was granted a certain annual sum as part of the subsidy from the Government of Canada. In 1917 this grant in lieu of public lands amounted to \$562,500.

In Alberta, the leading source of provincial revenue is still the Dominion Subsidy of \$1,589,075.† Of the estimated revenue for 1918, exclusive of telephone receipts, that subsidy accounts for approximately 23.4 per cent; and of the actual general revenue, with the same exception, for the year 1917 amounting to \$5,069,304, the subsidy constituted 31.3 per cent. Indeed the total receipts from the Government of Canada for the year 1917, including the subsidy, the income from school lands, and the grant to provincial seed fairs, amounted to \$1,920,132 or 37.9 per cent of the provincial revenue. Taxes in the literal sense of the term contributed \$1,347,369 or 26.6 per cent. Licenses and fees yielded \$929,120 or 18.3 per cent. and miscellaneous items, including sales of dairy produce, made up the balance of \$872,683 or 17.2 per cent.

The Telephone Department showed a net balance of income over expenditure amounting to \$150,943 on the year's working, after paying all interest and maintenance charges.

The income yielded by the leading taxes in 1917 was as follows:

Wild Land Tax .....	\$598,669.58
Corporations Taxation .....	209,427.69
Succession Duties .....	142,607.69
Railway Tax .....	110,900.00
Educational Tax .....	134,109.95
Theatre-Goers' Tax .....	77,043.64

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Unearned Increment Tax .....	62,902.85
Timber Areas Tax .....	11,707.86

Three new taxes, described below, have been added during the present year, namely the Supplementary Revenue Tax, the Coal Mine Owners' Tax, and the Amusement Tax. This last however is a substitute for the Theatre Goers' Tax.

It has already been observed that "Licenses" and "Fees" together contribute nearly 20 per cent. of the Provincial revenue. But, a license is simply a special form of tax; and fees, in so far as the charge made exceeds the cost, including ordinary profit, are in reality taxes arising from the exercise of the sovereign power. There can be no question that the great bulk of the revenue derived by the Canadian Provinces from "licenses" and "fees" is essentially tax revenue. This is obviously true for example of such items in Alberta's provincial revenue as the following:

Motor Vehicle Act Licenses and Fees .....	\$269,786.90
Land Titles, General Fees .....	220,837.78
Court Fees .....	100,797.11
Insurance Act Fees .....	60,594.18
Companies Incorporation and Registration Fees .....	29,910.41
Theatres Act Licenses .....	19,620.49
Auctioneers', Pedlers' and Marriage Licenses .....	16,206.00

But even after making every allowance for taxation in the guise of fees and licenses, it remains true that taxation in the widest sense yields too small a proportion of the provincial revenue. That revenue, as in the case of the other Prairie Provinces, in consequence lacks something of the elasticity which is one of the essential characteristics of a good revenue system. This weakness is aggravated by the fact that at least one of the most important items at present—the revenue from the Wild Lands Tax—must continuously diminish with the growth of settlement and the cultivation of the land. No doubt that will tend to increase the yield of other taxes, but it will also mean increased demands on Governmental expenditure.

The following are the different sources of Provincial Tax Revenue and the rates at present in force:

**Wild Lands Tax**—The Act imposing special taxation for provincial purposes on Wild Lands was passed in 1914, and came into operation in the following year. The tax is at the rate of 1 per cent. of the assessed value, and is levied on all land within the province not specially exempted.

The exemptions however are numerous and important, including: Land for which homestead entry has been made and for which patent has not been issued; land held under grazing lease from the

Government of Canada and actually used for grazing; all land belonging to any city, town, village, or rural municipality and used for the purposes thereof; land within the boundaries of an incorporated city, town or village; land, up to 640 acres, used by a *bona fide* farmer resident thereon; enclosed land used for pasture by the owner to the extent of having one horse or head of cattle or three sheep for every 10 acres during six months of the previous year; the land of any owner, where each section or portion has one-fourth of its area under cultivation.

This Act is administered by the Department of Municipal Affairs, the proceeds being paid over to the Provincial Treasurer.

	Acreage Assessed	Assessed Value	Taxes Levied
1915 .....	8,110,955	\$69,973,934	\$699,824
1916 .....	8,090,034	68,123,322	681,402
1917 .....	7,485,356	63,569,202	635,692

There is here shown a continuous decline in the acreage subject to the Wild Lands Tax as the land is brought into use. But to ascribe this to the tax is to be guilty of the elementary fallacy: *post hoc ergo propter hoc*. The tax may have operated in this direction. But the high price of wheat would appear to have been a much more important factor. The rapid decline in the acreage assessed between 1916 and 1917 is *prima facie* evidence of this.

**Unearned Increment Tax**—In the taxation of the unearned increment in land values, Alberta has been the pioneer in Canada. This tax dates from 1913 and seems to have been suggested by the British Increment Value Tax of 1910, which in turn had its prototype in the German *Wertzuwachssteuer* or Increment Value Tax. The Alberta tax is one of five per cent. on the increase in the unimproved value of the land over its last preceding value for the purposes of the Act. On the first transfer after the passing of the Act the basal or last preceding value from which the increment is reckoned is taken, in the absence of evidence to the contrary, to be \$15. per acre in the case of land not within any incorporated city, town or village, at the date of the passing of the Act; and the value in the 1913 assessment roll in the case of land within a city, town or village.

No tax is payable in respect to the first transfer of farm land, i.e. "unsubdivided land of which at least ten per cent. was actually and *bona fide* used by the transferor for agricultural purposes during the twelve months preceding the transaction which results in the making of the transfer." But the tax is payable on "the excess area of land beyond 640 acres in which the transferor was beneficially interested immediately before such transaction, only on the excess unimproved value of the land beyond \$50 per acre. No exemption is to be granted except as to the last 640 acres retained

by the transferor, or, where he retains less, an acreage which together with the acres retained would amount to 640 acres. The apparent aim of this is the discouragement of large holdings.

The secretary-treasurer of each city, town or village is required to send a certified copy of the 1913 assessment roll to the registrar of land titles for the district, by whom the assessed value of the land is noted upon the certificate of title, and no transfer of land is registered until the unearned increment tax is paid. No tax is payable upon the registration of any grant from the crown, or of any transmission of the land of a deceased person or upon transfer from his executors to the heirs.

**Timber Areas Tax**—This is a tax on timber lands held under a timber berth from the Government of Canada. It is administered by the Department of Municipal Affairs, the proceeds being paid over to the Provincial Treasury. The rate is  $2\frac{1}{2}$  cents per acre, subject to a rebate not exceeding  $1\frac{1}{2}$  cents per acre.

**Corporations Taxation**—*Banks* are taxed \$1,200 on their head offices, and in addition \$200 for each branch or agency. Private banks pay \$200 (save in villages where the tax is \$100) and in addition \$25 for each branch office or agency, but this latter tax is not levied on more than one branch in any one city, town or village.

*Insurance Companies* pay one per cent. on the gross premiums received from business transacted in the province during the preceding year; but in the case of mutual fire insurance companies receiving premiums in cash, the tax is calculated on the gross premiums received in cash, after deducting any portion of the premium returned to the insurer by way of refund. Where an insurance company lends or invests money on security in the province to an amount exceeding \$50,000 there is, in addition to the one per cent. of gross premiums, a further tax of  $\frac{1}{4}$  of 1 per cent. on the gross income of the company from its investments in the province.

*Loan Companies* pay a tax of  $\frac{1}{2}$  of 1 per cent. on the gross income of the Company during the year from its investments in the province, with a minimum tax of \$25 when the paid up capital of the company is less than \$50,000, and \$50 when such capital is \$50,000 or over, but less than \$100,000, and \$100 when paid up capital is \$100,000 or over.

*Land Companies* pay 40 cents for every \$1,000 of money invested in the province, with a minimum tax varying from \$25 when the paid up capital of the company is less than \$50,000 to \$100 when the paid up capital is \$100,000 or over.

*Trust Companies* are taxed  $\frac{1}{2}$  of one per cent. on the gross income of the company from its investments in the province with a minimum tax of \$100 when the paid up capital of the company does

not exceed \$100,000, and \$175 when the paid up capital is in excess of that sum.

*Street Railway Companies* are taxed \$200 annually when the line of track does not exceed twenty miles, and \$10 for each additional mile in excess of twenty.

*Telegraph Companies* doing a general commercial telegraph business, pay a tax of 1% of gross revenue from business transacted in the province.

*Telephone Companies*, operating telephone systems in the province for gain, pay, in cities of 10,000 population or over, 50 cents per instrument, and 25 cents per telephone instrument in cities with less than 10,000 population and in towns and villages.

*Gas Companies*—other than municipal corporations—supplying gas for illuminating or other purposes for gain, in any city of the province, pay a tax of \$500.

*Electric Lighting Companies* supplying electricity for illuminating or other purposes for gain—other than municipalities—pay \$500 in cities with a population of 10,000 or over; \$100 in cities with under 10,000; and \$25 in incorporated towns and villages.

*Express Companies* pay \$45 for each incorporated town or city with a population of less than 5,000, in which it has an office, branch, or agency; \$160 for each city with a population of 5,000 or over, save the cities of Edmonton and Calgary, for each of which the tax is \$250.

*Natural Gas Companies*, other than municipal corporations, pay  $\frac{1}{4}$  of a cent for every 1,000 cubic feet of gas produced, save when oil in paying quantities and natural gas are found in the same well and it is worked mainly for oil.

*Motive Power Companies*—Every Company, the main object of which is the supply of motive power, and which carries on business partly or wholly in a city or town with a population exceeding 15,000, is taxed \$1,000.

*Companies*, other than municipal corporations, whose authorised capital exceeds \$20,000, and which transact business in Alberta and are not otherwise taxed under the Corporations Tax Act, pay an annual tax of twenty cents for every \$1,000 authorised capital. But the total annual tax payable by any Company is limited to \$500.

**Railway Tax**—Alberta taxes railways on a mileage valuation of \$10,000 per mile, the tax rate being one per cent. The productiveness of railway taxation, however, in Alberta as in the other Prairie Provinces is considerably restricted owing to the special privilege enjoyed by the Canadian Pacific Railway Company. By

the terms of its charter granted in 1881 the property of that company is expressly exempted from all taxation, Dominion, Provincial, or Local, throughout the territory, then under the jurisdiction of the Dominion Government. In the Alberta Act of 1905 accordingly the property and capital stock of the company are declared exempt from taxation; and the Province is thus deprived of what would otherwise have been an important source of revenue. This exemption, however, only applies to the main line and branches then built under the company's charter, and not to other lines now operated by the company within the limits of the Province. Other lines the securities of which are guaranteed by the Province are exempt for a period of fifteen years, and new lines are not taxable for seven years after completion. Notwithstanding these limitations Alberta's revenue from the railway tax has shown a fair measure of elasticity having increased from \$68,491 in 1911 to \$110,900 in 1917.

**Succession Duties**—In Alberta the following are exempt from Succession Duty: (a) Property not exceeding \$5,000 passing to any person whatsoever; (b) Property not exceeding 10,000 (or \$25,000 for the property of a deceased soldier) passing to relatives in the direct line who are resident in the province; (c) Property, not exceeding \$25,000, of a deceased soldier, passing to a brother or sister or their descendants, if wholly dependent on the deceased; (d) Property bequeathed for religious, charitable, or educational purposes to be carried out in Alberta, and not exceeding \$2,000 for any one purpose.

The rates, as revised by an Amendment Act passed at last session of the Legislature are graduated according to the net value of the property passing, and vary also with the place of residence of the beneficiary and his or her degree of kinship to the deceased. Thus, on property passing to relatives in the direct line, the duty varies from  $\frac{1}{2}$  of 1 per cent. when the amount is over \$10,000 but not over \$15,000 to 10 per cent. when it exceeds \$2,000,000. Where such relations are not residents of the province the duty is slightly higher. Where the property passes to more distant relatives the duty begins at 5 per cent. when the amount exceeds \$5,000, but does not exceed \$10,000, and rises to 14 per cent. when it exceeds \$2,000,000. In the case of property passing to others than relatives the rate for corresponding amounts varies from 10 to 20 per cent.

On individual shares exceeding \$50,000 in the case of relatives in the direct line, and \$25,000 in the case of more distant relatives, there is an additional duty varying from 1 per cent to 5 or 6 per cent. according to the value of the property passing and the degree of relationship of the beneficiary to the deceased.

There is great need of some inter-provincial agreement which will secure uniformity throughout the Dominion in the rules

governing the succession duties and in the rates levied. The existing diversity involves needless difficulties and worries for those responsible for the administration of the laws. Moreover, the preferences in favour of resident beneficiaries, and the exemption of charitable and similar legacies only when they are to be used within the province, are scarcely defensible survivals of the parochial spirit as between different sections of the same nation, however justifiable similar rules may be as between different nations. There is the further disadvantage—and one that may make a more intimate appeal to provincial treasurers—that differential taxation of this character tends to check the inflow of capital from outside for investment in the province till the remuneration offered has been at least correspondingly raised. Thus the provincial treasury is likely to lose more, indirectly through the diminished yield of other taxes, than it gains directly from the higher succession duties on non-resident heirs.

**Educational Tax**—This is a tax levied on lands outside the boundaries of the organized school districts, and also on lands within such districts when held under grazing lease or permit from the Government of Canada. The general rate is  $1\frac{1}{4}$  cents per acre. The rate on leased land may not exceed  $1\frac{1}{2}$  cents per acre. Prior to 1915 it was  $\frac{1}{2}$  cent per acre, but since then it has been  $\frac{3}{4}$  cents. The minimum tax on any lot in a subdivision, or fraction of a section, of at least one acre, is 50 cents, and where the lot or fraction of a section is less than one acre, 25 cents. The Minister of Municipalities may compromise for payment of arrears of taxes on lands subdivided under a registered plan.

The Department of Municipal Affairs is responsible for the assessment and for the levy and collection of the tax in the case of all lands outside the rural municipalities. For lands within the rural municipalities this is done by the municipal authorities, who report as to assessment and taxation, and forward the amounts collected to the Minister of Municipal Affairs by whom the net revenue raised under this Act is paid over to the Provincial Treasurer. A commission of  $2\frac{1}{2}$  per cent is paid to each rural municipality on the amount collected by it.

**Supplementary Revenue Tax**—The Supplementary Revenue Tax Act passed at the 1918 session of the Legislature is similar in origin and design to the corresponding Act in Manitoba.

**Coal Mine Owners' Tax**—By the Coal Mine Owners' Tax Act of last session there is imposed a tax on the gross revenue of the mine owner. The rate is 5 cents per ton of coal removed from the mine premises, and the tax is payable monthly to the Minister of Public Works.

**Amusement Tax**—An Act of last session imposes a graduated tax rising from 1 cent, when the price of admission is from 10 to 20 cents inclusive, to 25 cents when the price of admission is more than \$2. For a boxing bout or contest the tax is 25 cents.

## II.—MUNICIPAL TAXATION

The origins of municipal government and taxation in Alberta, as in Saskatchewan, are to be sought in the Ordinances of the North-West Territories. Here we meet the same forms of local organization as in the sister province, a close resemblance, too, in respect of the leading landmarks in their historical development, and a striking similarity in their attitude towards the policy of exempting improvements from taxation.

The Cities of Alberta at present administer their affairs under the provisions of their own special charters. Recent developments, however, have tended to emphasize the extent of their common interests, the disadvantages resulting from the absence of anything approaching uniformity of legislation, and the desirability of a general City Act.

For the regulation of the remaining four types of local government, there are general Acts applicable to Towns, Villages, Municipal Districts and Improvement Districts respectively.

In the history of local government and taxation in Alberta, the year 1912 constitutes a landmark. It saw the creation of the Department of Municipal Affairs, followed by the enactment of the Rural Municipality Act (now the Municipal District Act), a new Town Act, and radical amendments of the Village Act and the Local Improvement Act. These statutes have been administered by the Department, which has also collected local improvement taxes in the unorganized areas known till this year as large local improvement districts, and taxes levied under the Educational Tax Act on lands outside the organized school districts, besides assisting Villages and the now extinct small local improvement districts in the collection of tax arrears. The Department, moreover, administers on behalf of the Provincial Treasury the Wild Lands Tax, the Timber Area Tax, and the Supplementary Revenue Tax.

### Rural Municipalities

Prior to the year 1912, where any form of organized local government existed in the rural districts of Alberta, outside the boundaries of the cities, towns and villages, it was the local improvement district. The revenue necessary for the conduct of the affairs of such districts was obtained wholly from the taxation of land, the district council having the power under the Local Improvement Act to levy a tax on the acreage basis at a rate not exceeding  $7\frac{1}{2}$  cents per acre.

But in 1912 all these local organizations, numbering two hundred and twenty-seven and covering about one thousand townships, were dissolved in accordance with the provisions of the Rural Municipality Act of that year, and of amendments made at the same time to the Local Improvement Act. The plan of reorganization followed, was identical with that adopted in Saskatchewan three

years earlier. The province was divided into territorial units, a unit being, wherever practicable, nine townships or 324 square miles. It was then left to the resident electors of each unit to request, according to their preference, organization as a rural municipality or as a local improvement district. The latter were known as small or organized local improvement districts, to distinguish them from the larger or unorganized local improvement districts in the outlying portions of the province which were governed directly by the Provincial Government.

The rural municipality, as a permanent corporation, enjoys considerable powers of self-government in matters of local concern, such as the raising of money by debenture for the construction of permanent public works; whereas the small local improvement district was from the first recognized as merely a temporary and transitional organization with powers correspondingly limited. The fact that both had the same area facilitated change when desired from the lower to the more developed form; and, as a matter of fact, though the movement was at first retarded by the fear of increased taxation on the one hand, and the growth of a debenture debt on the other, the rural municipality gradually gained ground to such an extent that the Legislature felt justified in bringing the transitional period to a close.

Accordingly, the Municipal District Act of 1918 provided for the abolition of the remaining small local improvement districts, and every such district existing on 1st. March 1918 became, in terms of the Act, a municipal district. No portion of the province may be organized as a municipality which has not an actual resident population in the proportion of one person to each square mile. The minimum resident population for the normal municipality is thus 324.

Where at the time of organization of a municipality there is within its limits an area of land subdivided on a registered plan into building lots, or as a townsite, this area is to be recognized as a *hamlet* under control of the municipal council. Each year half the estimated tax revenue collected within the hamlet must be spent on public works therein if the majority of its landowners so request.

For revenue, if we except a tax on dogs and a few licenses on auctioneers, hawkers or peddlers and transient trades, pool-rooms, bowling alleys, and exhibitions of various kinds, the rural municipalities were, up till 1918, limited to the taxation of land on the basis of its unimproved value.

Land is assessed for taxation "at its actual cash value as it would be appraised in payment of a just debt from a solvent debtor," exclusive of the value of buildings or other improvements placed upon it by the expenditure of labour and capital.

In fixing a rate sufficient to meet the estimated expenditure of the year, the council is required by the Act to "make due allowance for the non-payment of taxes." While the statutory limit

to the rate for municipal purposes has been, and with the under-mentioned qualifications still is, 10 mills on the dollar or 1 per cent. of the assessed value, the average rate within recent years has varied between 4.50 mills in 1914 and 6.62 in 1917.

But under the Municipal District Act of 1918 there is an alternative basis of taxation; for it is there provided that the council, by by-law approved by two-thirds of the electors voting at the next regular municipal election—or the Minister of Municipal Affairs, by order—may require the assessment to be made according to acreage. In the case of municipal districts formed under the provisions of this Act from small local improvement districts existing on 1st March 1918, the assessment is on the acreage basis until changed by by-law of the council as above. Where the tax is levied according to acreage the rate is limited to 10 cents per acre.

These maximum rates—10 mills per dollar of the assessed value of 10 cents per acre—may however be increased where deemed expedient, to meet (1) debenture coupons falling due in the course of the year, (2) any payment which has to be made to the secretary-treasurer of a hail insurance district. Further, taxes imposed under the Local Improvement Act upon lands within the municipality may be collected by the council, and when so collected they form part of its general revenue.

The minimum tax payable for municipal purposes on any lot in a subdivision, or any fraction of a quarter section, is 25 cents; and in the case of land held under grazing lease from the Government of Canada, the maximum tax on a quarter section or portion thereof is \$1.20.

**School District Taxes**—Provision is made in the Municipal District Act for the collection of school rates by the municipality. Where a rural school district is situated wholly or partly within the boundaries of a rural municipality the council must levy on the land of the persons liable to assessment for school purposes in that district such a rate as will enable it to meet the school board's demands, and if the amount raised is insufficient for this purpose the council must make up the deficiency from the general fund. There may thus be several different school rates within the same municipality.

The minimum school rate on any lot in a subdivision or fraction of a quarter section is 25 cents; but land held under grazing lease from the Dominion Government is exempt from taxation for school purposes.

In the case of rural school districts lying wholly or partly outside the boundaries of rural municipalities, the school rate on land outside such boundaries is levied on an acreage basis, and may not exceed 12 cents per acre. The tax is collected by the secretary-treasurer of the school district, and where there are arrears the Department of Municipal Affairs assists in the collection, and for-

wards monthly the amounts received to the school districts to which they belong. In the unorganized areas this tax is replaced by the Educational Tax.

### Improvement Districts

While the Municipal District Act transformed, as we have seen, all the small local improvement district existing on 1st March, 1918 into municipal districts, another Act of the same session—the “Act respecting Improvement Districts”—created a new group. This statute, which repeals the Local Improvement Act, is itself a substitute for the provisions of that Act in so far as they dealt with the large or unorganized local improvement districts. These are continued under the designation Improvement Districts, and the Lieutenant Governor in Council is authorized to constitute an improvement district any portion of the province not already organized.

In such districts the assessment of land is to be made by the Department of Municipal Affairs and the tax rate is fixed at  $3\frac{1}{8}$  cents per acre, except on land held under grazing lease from the Dominion Government on which it is fixed at  $\frac{3}{4}$  of one cent per acre. Where, however, this rate in any district would raise more than is necessary for improvement purposes, it may be reduced by the Minister of Municipal Affairs.

The minimum tax payable on any separately assessable fraction of a section, or lot in a subdivision, of at least one acre, is 50 cents; and where the area is less than one acre, 25 cents.

The minister may compromise for payment of arrears of taxes on subdivided lands, whether the registered plan has been cancelled or not.

**Penalties for Non-payment of taxes**—Where taxes remain unpaid on the 15th December of the year for which they are levied in the case of municipalities, and the 1st January of the following year in the case of municipal districts, there is added a penalty of 5 per cent. of such taxes. A similar penalty is added on the 1st July following, and so on for each successive half-year for any taxes remaining unpaid.

The taxes collected in any district, less expenses incidental to assessment, collection and administration, are expended, under the direction of the Minister of Public Works, in making necessary improvements within it, or on roads leading directly to or from and in the interest of the district.

### VILLAGES

Under the Village Act at present, an area of not more than 640 acres, containing not less than 25 separate and occupied dwelling houses, may be incorporated as a village.

**The “Single Tax” by Local Option**—Village history in Alberta

begins with the unincorporated village, governed by the North West Territories Ordinance of 1901. Such a village was required to raise its necessary revenue, with the exception of that obtained from a few licenses, by taxation of the property within its boundaries, not specifically exempted, at a rate not exceeding 10 mills on the dollar. It might, however, by a petition of two-thirds of the ratepayers to the Commisisoner of Public Works, secure the adoption of the system of taxing land values only, at a rate not exceeding 2 per cent. of the assessed value; and it might revert to the original system in the same manner.

Amongst the most important exemptions were: (a) incomes; (b) increase in the value of land arising from its annual cultivation or the cultivation of trees, together with the growing crops; (c) grain, hay, household effects of any kind, books and wearing apparel. In the case of church, land, the difficulties experienced in the East were avoided by limiting the exemption to one half acre.

This system, including the option of exemption personal property and improvements, was continued by the Alberta Legislature when the incorporation of villages was provided for by the Village Act of 1907. Under that Act, on receipt of a resolution of a village council supported by a petition signed by two-thirds of the ratepayers, the Minister of Public Works might offer the assessment for taxation purposes in that village to be restricted to the unimproved value of land. Before the close of 1911 about one-third of the villages in Alberta had availed themselves of this option to adopt the so-called "single tax" system, and there had been no case of reversion to the wider basis.

**The Compulsory "Single Tax"**—With the year 1912 we reach, as has been already remarked, a landmark in the history of local taxation in Alberta. It was then that the Provincial Legislature, having definitely adopted the policy of exempting improvements, personal property and income, and concentrating municipal taxation on the unimproved value of land, proceeded to make it compulsory in the different types of municipalities administered according to general laws under the supervision of the Department of Municipal Affairs. This was the system prescribed for the rural communities which came under the new Rural Municipality Act; and, from having been optional, it was now made mandatory in both towns and villages. An amendment to the Village Act required that "all village taxes shall be levied equally upon all rateable land in the village according to the assessed value of such land."

This section stands unaltered in the Village Act as codified in 1913. Within three years, however, it had received an important supplement which practically destroys its mandatory character. An amending Act, passed early in 1916, permits villages, if they so desire, to levy by by-law, in addition to the tax on land:—

- (a) A tax on buildings and improvements, these being assess-

ed at no more—though it may be much less—than 60 per cent. of their actual value;

(b) A business tax, at a uniform rate not exceeding 10 per cent. of the assessed rental value of the premises occupied, on all persons carrying on, within the limits of the village, any trade, business or profession not licensed under the Village Act.

The privilege of levying these additional taxes was granted for a period not exceeding four years from 31st December, 1915. The expectation, however, that a temporary concession would suffice, if ever genuinely entertained, has now vanished, and it is admitted that the time limit will have to be removed. This, as we shall see, has already been done in the case of the business tax in towns. By 1917, the movement towards the wider basis of taxation was well under weigh among the villages and towns alike; and in his report for that year Mr. John Perrie, Deputy Minister of Municipal Affairs says: "There appears to be a very decided tendency towards a system of taxation which will cause others besides landowners to pay taxes direct to the municipality." Even in the municipal districts there is now a movement in this direction.

The tax rate in villages, on lands, buildings and improvements, was formerly limited to 20 mills on the dollar; but this limit was removed in 1917, as it had been in the case of the towns in 1913. The law now requires that the levy shall be such a uniform rate on the dollar as is deemed sufficient to meet the estimate of the probable expenditures of the village for the year, including sums required to repay any temporary loan or to meet debenture coupons falling due, allowance being made also for the non-payment of taxes. The minimum tax payable for municipal purposes on any lot or portion of land is 50 cents.

## TOWNS

Prior to 1912 a village of over 400 inhabitants could, on complying with certain conditions, become a town; but in that year the Village Act was amended so as to make a population of over 700 necessary to secure incorporation as a town. Experience had shown that the smaller population was sometimes unequal to the liabilities which the greater powers of the town organization induced it too hastily to undertake. In these western communities, moreover, population is essentially fluctuating and unstable; and during the last five years the reductions have in not a few cases been serious, amounting in some towns to as much as 50 or even 75 per cent, while occasionally a village has had to be disorganized owing to the disappearance of the population. In 1917, while there was one town with 2500 inhabitants and two others with 2000 each, nineteen out of a total of forty-nine had populations smaller, in some cases by as much as 50 per cent, than that now required to secure the status of a town.

The following table from the Annual Report of the Department of Municipal Affairs, shows the population, assessment, municipal taxes, and debenture debt of the different towns in Alberta at the end of 1917.

### STATISTICS RESPECTING TOWNS OF ALBERTA—1917

Name	Total Population	Municipal Assessment	Municipal Taxes Levied	Debenture Debt Municipal	School
Athabasca .....	500	\$ 818,375.00	\$41,877.97	\$159,599.61	\$.....*
Brooks .....	350	209,890.00	4,197.90	none	1,909.00
Bassano .....	1,000	1,186,853.00	30,234.89	243,800.00	.....*
Beverly .....	800	1,278,295.00	23,498.43	22,500.00	47,000.00
Blairmore .....	1,300	307,278.00	6,845.06	55,924.28	4,950.00
Bow Island .....	600	422,235.00	8,470.20	60,926.77	2,140.00
Camrose .....	1,800	1,648,759.00	50,148.53	230,997.81	35,719.05
Cardston .....	1,400	1,087,476.00	14,137.18	104,904.35	45,000.00
Carmangay .....	400	210,686.00	8,724.68	29,261.06	14,860.00
Castor .....	900	240,463.00	27,975.00	50,289.00	18,200.00
Claresholm .....	1,100	530,375.00	16,972.00	104,221.56	.....*
Coleman .....	1,555	181,152.00	6,005.65	1,146.28	.....*
Coronation .....	600	442,215.00	20,832.12	60,747.45	35,280.00
Daysland .....	400	174,247.00	5,227.00	5,325.26	1,080.00
Diamond City .....	350	76,348.00	762.48	4,064.00	26,328.50
Didsbury .....	800	207,870.00	9,899.34	22,900.00	19,000.00
Drumheller .....	1,000	362,779.00	12,334.75	10,200.00	7,860.00
Edson .....	700	1,184,706.00	29,336.52	18,400.00	56,000.00
Fort Saskatchewan .....	900	450,509.00	20,273.00	56,776.00	.....*
Gleichen .....	600	342,295.00	10,057.37	53,000.00	15,000.00
Granum .....	400	137,489.00	3,643.45	3,873.43	12,000.00
Grouard .....	400	565,035.00	5,650.35	none	7,490.00
Hanna .....	1,000	560,675.00	19,028.90	8,501.78	21,250.00
Hardisty .....	400	165,000.00	3,465.00	8,774.77	22,800.00
High River .....	1,300	750,625.00	28,032.02	125,581.29	19,033.39
Innisfail .....	835	202,378.00	8,618.03	26,150.00	21,216.54
Irvine .....	450	175,955.00	9,298.93	6,437.94	.....*
Lacombe .....	1,100	593,308.00	16,882.50	73,819.50	33,932.98
Leduc .....	700	188,270.00	4,895.02	13,214.66	.....*
Macleod .....	2,000	1,898,706.00	66,174.28	570,550.00	49,575.03
Magrath .....	1,000	159,300.00	6,973.48	25,252.56	none
Morinville .....	500	211,514.00	3,799.08	13,991.71	.....*
Nanton .....	800	428,648.00	81,443.12	18,625.00	.....*
Okotoks .....	500	202,210.00	7,223.11	8,381.04	21,393.44
Olds .....	1,000	308,032.00	6,715.78	6,000.00	8,400.00
Ponoka .....	600	302,529.00	5,369.38	12,746.70	2,600.00
Pincher Creek .....	1,100	442,568.00	31,160.93	79,963.33	2,310.00
Raymond .....	1,500	206,288.00	5,157.00	54,018.56	21,500.00
Redcliff .....	2,500	3,952,825.00	51,836.48	404,800.00	47,950.00
Stavely .....	400	138,965.00	2,779.30	400.00	.....*
Stettler .....	1,200	957,195.00	27,812.74	90,187.72	40,000.00
St. Albert .....	1,000	422,591.00	5,888.51	37,733.91	15,000.00
Stony Plain .....	500	93,689.00	2,500.00	none	1,800.00
Strathmore .....	500	123,672.00	4,328.52	24,000.00	.....*
Taber .....	2,000	596,196.00	25,040.23	149,699.76	60,340.84
Tofield .....	500	761,437.50	31,949.06	97,552.75	17,240.00
Vegreville .....	1,600	1,153,758.75	44,920.28	168,334.28	.....*
Vermillion .....	1,200	1,017,846.00	16,378.00	49,272.86	28,300.00
Wainwright .....	850	782,537.20	17,215.48	54,729.25	16,790.00

\*Debenture debt not reported.

In the great majority of the towns of Alberta up to 1912, taxes were levied on real property, including both land and improvements, and on personal property. There were some, however, in which the taxation of property was confined to land values only. This system of exempting improvements and personal property was, as in the case of the villages, inherited in its optional form from the old régime of the North West Territories, the authority for its adoption by the towns being found in the General Municipal Ordinance of 1897.

Continued by the Alberta Legislature, this optional "single-tax" policy seems to have found little favour amongst the towns. Only a small minority had adopted it when in 1912 a Provincial Government favourable to the system made it mandatory throughout the municipalities of the province, with the exception of the cities. These last, being governed under special charters were left outside the sweep of this compulsory legislation.

Compulsion from above, however, did nothing to reconcile the towns as a whole to a tax system which for many of them was almost at once productive of financial difficulties. It meant the restriction of the basis of taxation to the unimproved value of land just at a time when land values were entering on a period of severe contraction, and in face too of the fact that in several cases heavy liabilities had been undertaken on the security of revenues resting on a wider tax base. The rapid rise in urban land values during the period of expansion and speculative activity, had certainly led to the widespread diffusion of a vague if, vociferous sentiment, in favour of a system which promised to throw the burden of taxation more heavily on the land speculator, and in particular on the absentee owner. But the land boom was now over; and the officials of the towns, in close touch with the realities of the situation, were for the most part far from enthusiastic. The votes of the Union of Alberta Municipalities, in September, 1912, and again in August, 1913, against reverting to taxation of improvements and personal property, are not to be taken as conclusive evidence of the popularity of the "single tax" policy.

The verdict was not long in doubt. The evidence bearing on the immediate effects of the system was carefully collected, sifted and summarised in 1914-15 by Dr. Murray Haig\*. Its introduction was followed in almost every case by an increase, often a considerable increase, in the tax rate, the rise in several instances being one hundred per cent. or over. It led to very general over-assessment. In many towns it arrested the execution of improve-

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\*"Exemption of Improvements from Taxation in Canada and the United States" (New York, 1915) pp. 79-80, 129 et seq.

ments, created or intensified the difficulty in meeting obligations already assumed, and was accompanied by a depreciation of land values and by the surrender of lands for arrears of taxes. Other causes, it is true, were now at work to increase the financial difficulties of the towns, but that the compulsory restriction of the tax base to the unimproved value of land materially contributed to aggravate their difficulties, is beyond question.

Over-assessment was soon found to afford no way out of the financial quagmire in which many of the towns found themselves entangled. Nor was raising the tax rate far beyond the then legal limit of 20 mills any more effective. Both devices, too, often resulted in that most familiar form of illegality in Western Canada, tax delinquency, leading to the ultimate surrender of the land.

Very early in the day, the Provincial Government and Legislature, by two significant amendments of the Town Act, tacitly recognized the inherent weakness of their "single tax" policy.

(1) The first amendment, passed in March, 1913, enabled towns that could convince the Minister of Municipal Affairs of the inadequacy of the revenue from the tax on land values, to levy a business tax for a period of three years (1913-15) which, however, could be extended at the discretion of the Minister. This tax was based on the rental value of the premises occupied, and the maximum rate was fixed at 20 per cent. In a short time, more than one-fourth of the towns had satisfied the Minister of their inability to raise sufficient revenue without levying a business tax.

(2) Next, at the second session of the Legislature in 1913, the limitation of the tax rate on land values to 20 mills was repealed. That, to avert the insolvency of the towns, it was thought expedient to leave the unhappy owner of urban land absolutely at the mercy of the municipal council, might seem in itself a sufficient commentary on the policy of restricting the tax base to the unimproved value of land. With the limit to the tax rate on land removed, it had been fondly expected that the Minister would no longer be under the necessity of granting the right to levy business taxes, which would thus entirely disappear in 1915. But, alas for "the best laid schemes o' mice and men!"

The sovereign right of taxation is no doubt, theoretically, absolute, and the province may delegate the exercise of its unlimited right of direct taxation for municipal purposes to the towns. Rights theoretically unlimited, however, are often in practice strictly limited by economic and political forces; and the right of taxation is especially subject in its exercise to economic limitations. In the towns of Alberta, as in the municipalities of Western Canada generally, the reality of the economic limit to taxation soon became only too apparent, in the rapid disappearance of lots, blocks, and subdivisions

from the tax-paying category. The financial needs of the towns proved too urgent for the will of the Legislature. The business tax, far from disappearing, was made more generally available, though with a lower maximum rate. Early in 1916 the same concessions were made to the towns as we have already noticed in the case of the villages. The Town Act was so amended as to permit towns desirous of doing so to levy, for four years from 31st December 1915, (a) a business tax not exceeding ten per cent of the rental value, (b) a tax on buildings and improvements assessed at not more than 60 per cent. of their value. In 1918, the time restriction was removed from the business tax, and it is admitted that the tax on improvements also is certain to be continued. The rate on land values, as we have seen, has been without legal limit in the towns since 1913, and the same rate applies to buildings and improvements.

The minimum tax for municipal purposes, payable on any lot in a subdivision or any fraction of a quarter section, is 50 cents; and for school purposes also the minimum tax is 50 cents.

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## CITY OF EDMONTON

Edmonton, the capital city of the province of Alberta, obtained its charter of incorporation as a city by North-West Territories Ordinance on October 8th, 1904. The population, which at that time was a little over 7,000, increased rapidly during the following decade, till in 1914 it was about 72,500, the absorption of Strathcona in 1912, having added some 6,000. In 1914 and the years immediately following, however, Edmonton felt the full brunt of the depression consequent on the collapse of the real estate boom and the outbreak of war. Though there has recently been a marked recovery, the population at the close of 1919, is estimated at no more than 60,000.

The history of municipal taxation in Edmonton is especially interesting in view of the prominent part the city has played in what may be termed the "single tax" tragi-comedy in Western Canada.

Under Edmonton's original charter, buildings and improvements were exempt from taxation, it being provided therein that municipal and school taxes should be levied on (1) land; (2) businesses; (3) incomes, and (4) special franchises. There was also a Poll Tax on all males over twenty-one years of age who had been resident in the city for three months, and whose names were not on the assessment roll. But this tax, originally \$5, after having been twice altered in amount, first to \$2 and then to \$3, was finally abolished in 1910.

In the same year the city ceased to levy an income tax. In theory all incomes in excess of \$1,000 had been placed on the assessment roll and subjected to the general tax rate. But, in practice, the attempt to tax income in this way was never successful.

Edmonton's original business tax, the principle of which became popular in Western Canada, and is that in use in the cities of Saskatchewan, combined the principle of floor space measurement with classification of businesses. The assessor, having arranged the different businesses in the city in different classes or schedules, fixes a different assessment rate for each schedule. In Edmonton the maximum legal rate was \$5 per square foot except in the case of banks for which it was \$10. On this plan the business assessment forms part of the tax base on which the general city rate is levied. The defects of the method are discussed later in connection with its application in the Saskatchewan cities. In practice, however, the business tax on this basis seems to have given rise to no serious objection in Edmonton. But, "single tax" theorists being in the saddle, it was gradually reduced, and finally under authority granted by an amendment to the charter, it was abolished in 1911.

During the next six years, the charter, as it then stood, required that municipal and school rates in Edmonton should be

levied upon (1) land, and (2) special franchises within the city. As, however, the city itself owns the different public utilities, this meant in effect the achievement of the single taxpayer's goal—the taxation of land values only.

Licenses had been in use for the purpose of police regulation, and in the case of businesses to which the application of the business tax was not practicable. But after the abolition of the business tax these were gradually reduced till the revenue from that source was negligible.

Land was to be assessed at its fair actual value, exclusive of the value of any buildings thereon; and "in estimating its value regard may be had to its situation and the purpose for which it is used or for which, if sold by the owner, it could, and probably would, be used in the next succeeding twelve months."

It was provided that the general tax rate for municipal purposes, exclusive of debenture, school and local improvement rates, should not exceed 2 cents on the dollar upon the total value of the assessable property within the city. But an additional special rate not exceeding  $\frac{3}{4}$  of 1 mill on the dollar may be levied for the maintenance of public parks.

The adoption by Edmonton in 1904 of the policy of exempting buildings and improvements, and concentrating taxation on land values seems to have been due not to any belief in the Single Tax doctrine, but to that particular form of human frailty which makes the average man welcome any policy that promises to place the burden of taxation on other shoulders than his own. In Edmonton the residents who dominated the council, and owned practically all the improvements, sought to place the tax burden as far as possible on the absentee owners of the large tracts of unimproved land within the city.

In this connection considerable importance has generally been attributed to the existence of the Hudson's Bay Company's large holding of undeveloped land in the heart of the city. This not only provided an incentive to heavy taxation of land, but by compelling the population to spread beyond it, increased the expenditure necessary in construction of public utilities, and so seemed to afford an ethical justification for making its owners pay.

The Single Tax doctrine seems to have had more influence in 1911, when the business tax was abolished. But as we have already seen when tracing the history of the movement in the cities of Victoria and Vancouver, so in Edmonton, the policy of restricting the tax base to land values was greatly facilitated in its operation by the fact that its adoption coincided with the opening of a period in which land values were, at first gradually, but later rapidly expanding. Throughout the Canadian West generally, whatever measure of success the policy of exempting improvements from taxation may have had before the advent of the depression, which began in 1913, was entirely due to the fact that the appreciation in the value of the land was more rapid than the growth of the fiscal needs of the municipalities.

# CITY OF EDMONTON

## ASSESSMENT AND TAXATION STATISTICS.

Year.	Net Assessment.	Total Taxes Levied.	Municipal.	Debentures.	RATES LEVIED. SCHOOL.			Total.
					Protestant.	R. Catholic.	School District	
1892	\$ 673,694.00	\$ 6,200.07	8.00 Mills	.....	Levied by		5.00 Mills	8.00 Mills
1893	964,005.00	13,877.72	7.50 "	1.33 Mills	2.50 Mills		5.00 "	11.33 "
1894	988,950.00	18,982.73	10.50 "	2.05 "	4.00 "		5.20 "	16.05 "
1895	1,131,780.00	18,034.72	6.00 "	2.33 "	4.50 "		5.20 "	12.83 "
1896	914,761.00	14,582.27	5.01 "	3.29 "	6.00 "		5.33 "	14.30 "
1897	768,630.00	15,913.74	3.00 "	3.55 "	7.00 "		7.00 "	15.85 "
1898	1,030,852.00	20,696.27	9.40 "	3.33 "	4.05 "		7.70 "	17.00 "
1899	1,188,249.00	21,588.84	6.60 "	3.25 "	5.60 "		10.75 "	16.50 "
1900	1,244,731.00	28,216.19	9.00 "	5.25 "	7.50 "		8.50 "	19.50 "
1901	1,395,912.00	33,389.11	9.50 "	4.50 "	6.50 "		5.00 "	16.50 "
1902	1,724,420.00	37,252.58	8.00 "	4.00 "	6.50 "		4.50 "	17.00 "
1903	3,208,100.00	54,824.70	8.00 "	2.00 "	4.00 "		4.00 "	16.00 "
1904	3,959,648.00	75,695.52	8.25 "	2.25 "	2.50 "		2.50 "	10.50 "
1905	6,620,985.00	115,637.90	10.00 "	.75 "	2.83 "		2.83 "	13.33 "
1906	17,046,798.00	192,548.89	7.25 "	2.50 "	3.70 "		3.70 "	14.50 "
1907	21,985,700.00	328,442.39	8.00 "	4.60 "	3.44 "		3.44 "	17.50 "
1908	22,535,210.00	375,377.03	6.20 "	4.08 "	4.20 "		4.20 "	17.00 "
1909	25,584,990.00	432,506.37	9.98 "	3.90 "	3.20 "		3.20 "	13.70 "
1910	30,105,110.00	563,494.88	8.90 "	3.60 "	3.20 "		3.20 "	12.00 "
1911	46,494,740.00	886,571.84	6.90 "	3.06 "	3.20 "		3.20 "	16.00 "
1912	123,474,070.00	1,530,205.96	6.74 "	5.17 "	4.28 "		4.28 "	17.50 "
1913	138,539,110.00	3,471,444.59	9.05 "	5.38 "	4.80 "		4.80 "	16.75 "
1914	191,283,970.00	3,769,970.36	8.05 "	7.55 "	5.75 "		5.75 "	21.00 "
1915	171,361,830.00	3,358,662.33	6.57 "	9.50 "	7.75 "		7.75 "	23.50 "
1916	132,474,845.00	3,283,613.63	7.70 "	9.75 "	8.80 "		8.80 "	20.00 "
1917	100,917,090.00	3,188,641.16	9.25 "					
1918	92,404,590.00	3,655,371.76	11.45 "					

From the foregoing table it will be seen that in the year following 1904 when buildings were exempted, there was a large increase in the net assessment, while a rapid appreciation in land values is shown by the greatly increased assessment of 1906. Again a great increase is seen to have followed the dropping of the income tax in 1910, and the abolition of the business tax in 1911. The inclusion of Strathcona, however, accounts for part of the increase shown in 1912, while that in 1913 is again in part due to a great extension of the city limits.

So far, high assessments had been regarded somewhat as a good advertisement in the interest of the speculative real estate owner, and even heavy taxes had been treated as a negligible factor in view of the high profits which had been realised or expected on sales.

But the position was altered and the dangers incidental to this policy of contracting the tax base, became at once not merely apparent but imminent, when the period of speculative activity was over, land values, were rapidly shrinking, and inflated assessments were no longer effective as bait for the unwary.

Tax delinquency became the rule, and arrears of taxes threatened the solvency of the city already heavily laden with debt, incurred largely for the construction or unprofitable extension of improvements and utilities, such as the Street Railway system, the mere upkeep of which had now become burdensome. The alarming accumulation of arrears of taxes, and growing indebtedness, at length compelled a thorough-going revision of the city's fiscal policy.

As the outcome of this, the city council in 1917, sought and obtained an amendment of its charter by which it was authorised, subject to ratification by a plebiscite at the next general municipal election, (a) to levy a tax on buildings and improvements assessed at not more than 25 per cent. of their value; (b) to levy a business tax not exceeding 6 per cent. of a business assessment equal to the full annual rental value of the premises occupied.

The plebiscite in December, 1917, resulted in ratification of the proposed business tax, but in rejection of the proposal to tax buildings and improvements. The council, however, in the spring of 1918 again approached the Legislature and secured an amendment to the charter fixing the assessment of buildings and improvements at 60 per cent. of their actual value as measured by "the amount by which the value of the land is thereby increased." At the same time in place of the business tax "not exceeding 6 per cent.," a tax on a graduated scale running from 6 to 25 per cent. of an assessment of the full annual rental value, according to the class of business, was substituted.

The rental value business tax is linked with the system of licenses now introduced on a broader basis than formerly, the tax

being set off against the license fee, and whichever is the heavier taken.

Finally, the city at the same time obtained authority to levy, during the years 1918 and 1919, an Income Tax upon the annual income of residents in the City and upon the net profit or gain of non-residents arising from business controlled, conducted, or carried on in or from the City. The two year limit has since been removed.

Income up to and including \$1,000 is exempt in the case of an unmarried person, a widow or widower without dependent children, and of all other persons, \$1,500. The tax is on a progressive scale, rising from 1 per cent. on the first \$1,000 of taxable income to 8 per cent. on all taxable incomes in excess of \$10,000.

Among the exemptions is included the income derived from land and buildings within the City; and any person with a taxable income not exceeding \$5,000 and liable to pay to the City a tax on real property, may set off against his real property tax the tax for which he may be liable on an income up to and including \$3,000. This, of course, greatly lessens the value of the tax as a source of revenue.

The Edmonton system of taxation, therefore, now includes taxes on (a) Land; (b) Buildings and Improvements; (c) Business; (d) Income. Thus, the City which led in the policy of restricting the tax base to land values only, has also led in the recent reaction towards a safer and broader basis of municipal taxation.

But how urgent the need of reform had become is seen from the rapid growth of tax arrears and city indebtedness under the old system.

For the last five years, the aggregate amounts of taxes outstanding on December 31st, have been as follows: 1914, \$2,560,354; 1915, \$4,001,245; 1916, \$5,250,257; 1917, \$6,157,075; 1918, \$6,755,760.

The figures for 1918, however, include \$55,006 arrears of Business and Income Taxes. It should also be noticed that in 1918 for the first time the council has made a substantial beginning (\$335,732) towards the creation of a reserve fund against arrears of taxes which may prove uncollectable.

The following table from the Comptroller's report for 1918 shows the Net Assessment, Taxes Levied (including Special), Tax Rate and Percentage of Collections in each of the years 1916-18.

Year.	Net assessment.	Mill rate.	Total Taxes Levied.	Collected Percentage within current of Levy year incl. dist. Collected.	
1916 .....	\$130,916,285	21	\$3,283,613.63	\$1,618,291.21	49 %
1917 .....	100,212,080	26.50	3,188,641.16	1,744,296.43	55 %
1918 .....	91,873,720	30	3,655,371.76	1,991,270.52	54.5 %

The fact that the City is collecting little more than half its annual levy surely constitutes, as the Comptroller points out, "the chief problem of the Administration."

The gross Debenture Debt of the City at 31st December, 1918, was \$25,242,518.89. Deducting Debentures against the security of "Public Utilities," \$9,685,909.09; Local Improvements, \$3,960,794.46, and allowing for the Sinking Fund investment, the net General Debenture Debt was \$9,864,005.84.

There were also on 31st December, 1918, current loans from the Bank, and Treasury Notes, maturing at various dates up to 15th July, 1923, to the amount of \$5,576,550.32.

### CITY OF EDMONTON

#### Statement of Revenue for Year 1919.

General Taxes on Land and Buildings.....	\$2,804,133.22
Less Discount .....	150,950.69
	<u>\$2,653,182.53</u>
Special Assessments .....	510,648.95
Business Tax .....	170,000.00
Income Tax .....	140,000.00
Rev. other than above taxes .....	355,957.30
	<u>Total Revenue.....\$3,829,788.78</u>
Population .....	60,000
1919 Land Assessment .....	\$62,471,850.00
1919 Buildings Assessment (60 per cent. of value)....	16,834,470.00
	<u>\$79,306,320.00</u>
Tax Rate 35.3 mills City; 1 mill Prov. Government.	

From the above it appears that, of the revenue derived from the taxation of land and buildings, business, and income, the Land and Buildings Tax yielded 89.54 per cent.; the Business Tax 5.74 per cent.; and the Income Tax, 4.72 per cent.

## CITY OF CALGARY

Calgary, situated in the foothills of the Rock Mountains, at the junction of the Bow and Elbow rivers, is the largest city in Alberta, and the third in point of population in Western Canada. In 1883, when the Canadian Pacific Railway reached Calgary, it was a place with less than 500 inhabitants. In 1884 it was incorporated as a town, and in 1894 it received its charter as the City of Calgary. It has now (1919) an area of 36 square miles, or sections, and a population estimated at 70,000. Before the collapse of the speculation in land values followed, as that was by the disastrous oil boom and the outbreak of war, the population of the city was variously estimated at from 15 to 25 per cent. above its present level. Like other cities of the West, Calgary suffered heavily for a time. But the industry and commerce of the city are not of an ephemeral order. They rest on the sure foundation of its geographical situation, its ample supply of pure water and cheap water power, its railway transport facilities, and the great mineral, agricultural, and pastoral resources of the country around it. Already the city shows marked signs of recovery from the severe depression which began in 1913.

In the year 1900, Calgary adopted the policy of municipal ownership, and operation of public utilities. Beginning with the purchase of the Waterworks system, it has gradually extended its activities in this direction till it now owns and operates also the Electric Light and Power system, the Street Railway system, an Asphalt Paving Plant, and a Public Market. Municipal ownership and operation is regarded as a conspicuous success in all these cases, with the possible exception of the Public Market. It probably is so, if looked at from the standpoint of convenience and economy to the citizens. But financially all were running at a loss in 1918, except the waterworks system. This, however, was attributed to the abnormal conditions which are already passing away.

### Assessment and Taxation

In respect of assessment and taxation, Calgary, while subject to similar influences, and moving in the same direction as Edmonton, has pursued on the whole a more cautious and conservative policy. Under the charter granted in 1893, the numerous amendments to which have not been consolidated since 1912—all land (defined as including buildings and improvements), personal property and income, are made liable to taxation. Further, all municipal rates or taxes are, in the absence of express provision to the contrary, to be "levied equally upon the whole rateable property and income, according to the assessed value thereof, and not on any one or more kinds of property in particular, or in different proportions."

Among the exemptions are: Churches, and the land in connection therewith, not exceeding one half acre; household effects, and one-third of the value of all personal property belonging to any person assessed.

The personal property tax was nominally a tax on personal property assessed at two-thirds of its value. But in practice, the great bulk of personalty escaped assessment altogether, and the tax was in effect little more than one on the stock-in-trade of the merchant. The experience of Calgary in this respect was in keeping with that of other communities where an attempt has been made to apply the same rate to all kinds of property, real and personal. The tax in its restricted application, however, was collected for the last time in 1915, being superseded in the following year by the business tax described below.

The old income tax in Calgary was even less successful than the personal property tax. For many years an attempt was made in accordance with the terms of the charter to include income in excess of \$1,000 in the assessment for taxation. But in practice a city income tax of this character was found to be both inequitable and unproductive, and in 1911 it was abandoned.

Prior to 1915 there was a poll tax of \$3 on every male resident between the ages of twenty-one and sixty, whose name did not appear on the assessment roll as liable to a property tax. It was, however, as usual an admitted failure, and was abolished at the request of the council.

### Real Property Taxation

The history of the real property tax shows clearly the comparatively limited extent of the "single tax" movement in that city.

Up to 1903 both land and buildings were assessed for taxation at 80 per cent. of their value, and from 1904 to 1909 at 100 per cent. In 1910 the assessments were respectively 90 per cent. for land, and 80 per cent. for buildings. In 1911 Calgary entered on the path that was expected to lead to the total exemption of improvements. The relevant section of the charter was amended to secure that land should be assessed at its fair actual value, and that the assessment of buildings and improvements should be reduced to 50 per cent. of their value. The Council was at the same time empowered to provide by by-law for reducing the assessment of buildings and improvements by 10 per cent. of the value each year till it had been extinguished.

The assessment of buildings was accordingly at once reduced to 50 per cent. But it was not till the following year, 1912, that the assessment of land value was raised to 100 per cent., and the Council at the same time reduced the assessment of buildings, not

by 10 per cent. as provided in the charter, but by 25 per cent. of their value.

At this stage, however, the council faltered in its faith, and, despite the dominance of "single tax" doctrine in the Alberta Legislature, a further amendment to the charter was obtained in 1913, permitting the assessment of buildings and improvements to remain at 25 per cent., no increase, however, being allowed without the consent of the ratepayers. But the grim logic of facts proved irresistible. The halt had been called none too soon. Diminishing revenues and growing debts brought the conviction that to restrict the tax base to land values when land values were themselves in process of rapid contraction, was clearly the road to financial suicide, and that the maintenance of the city's credit required, on the contrary, a distinct broadening of the basis of taxation.

By successive amendments to the charter this broader tax base has been made possible. In 1915 provision was made (a) for the assessment of special franchises on the full value of all buildings, improvements, plant, machinery, equipment, and apparatus used in their operation; and (b) for the abolition of the personal property tax and the substitution therefor of a modern business tax on a rental value basis. These taxes were both levied for the first time in 1916. A further step was taken in 1918 when legislation was passed empowering the council to impose an income tax, and to increase the assessment of buildings and improvements to not more than 50 per cent. of their fair actual value.

Thus the city may now legally impose taxes on (a) land and buildings; (b) business; (c) income; (d) special franchises.

It has not yet, however, taken advantage of the right to increase the assessment of buildings above 25 per cent., nor has it as yet made use of the income tax.

### Business Tax

The business tax authorized by the amendment to the city charter, passed in April, 1915, was at a uniform rate "not exceeding six per cent." upon an assessment of the full annual rental value of the premises occupied, whether buildings or land or both. In the first two years of its operation, i.e., in 1916 and 1917, the uniform rate on rental value was the cause of considerable dissatisfaction. But the adverse criticism on this ground was met in the Charter Amendment Act of April 13, 1918, which substituted a rate "of not less than six per cent. and not greater than ten per cent.," and authorized the council to fix by by-law a different rate per cent. for different classes of business. This was made effective for 1918 with three schedules of businesses on which the tax rates were respectively 6, 8, and 10 per cent. Persons and firms occupying business premises for temporary purposes are subject to a special license fee.

### Income Tax

In the Act amending the charter passed in April, 1918, the council obtained authority to levy during the years 1918 and 1919, an income tax similar to that granted to Edmonton. The limitation of the privilege to two years was taken to signify that the Provincial Government in 1918 had in contemplation the possibility of itself levying a provincial income tax. The Act differs in detail slightly from that of Edmonton. The exemption limits are \$600 and \$1,200 for unmarried and married persons, respectively, in place of as in Edmonton, \$1,000 and \$1,500. In the Calgary Act, too, the rate on the first \$500 of taxable income is one half of one per cent. and on the second \$500, one per cent., whereas in Edmonton, the rate on the first \$1,000 is one per cent. In other respects the Acts are identical. There is the same exemption of income derived from land and buildings within the city and the same permission to set off the Income Tax against the Real Property Tax. This exemption and set-off, it is felt, must go far to destroy the income tax as a source of municipal revenue, and at the same time render it exceedingly troublesome to collect. In any case, Calgary has not yet seen fit to follow the example of Edmonton in availing herself of the right to impose on Income Tax.

The revenue collected by the city in 1918 for general municipal and school purposes from taxation, including licenses, was as follows:

#### (General Assessment)—

On land, buildings and special franchises....	\$2,204,578.23—	91.27%
Business Tax .....	156,854.40—	6.50%
Fees and Licenses .....	53,978.07—	2.23%
	<hr/>	
	\$2,415,410.70—	100%

The following tables from the latest issue of the Municipal Manual shows the assessment and tax rates from the year 1904:

#### STATEMENT OF ASSESSMENT

Year	Land	Valua- tion at per cent.	Buildings	Valua- tion at per cent.	Personal	Valua- tion	Income	Total
1904	1,956,140	100	1,620,587	100	495,250	2-3	27,300.00	4,099.437
1905	2,289,655	"	2,327,264	"	769,300	"	47,250.00	5,433.469
1906	3,758,341	"	3,011,290	"	968,690	"	43,600.00	7,771.921
1907	7,861,171	"	3,716,575	"	1,263,700	"	51,050.00	12,832.496
1908	10,346,893	"	5,995,660	"	1,550,875	"	48,250.00	17,941.698
1909	12,597,808	"	5,612,935	"	1,539,585	"	74,650.00	19,824.978
1910	22,433,417	90	5,747,315	80	2,469,360	"	146,000.00	30,796.092
1911	40,924,800	"	7,299,895	50	4,522,905	"	None	52,746.600
1912	102,260,915	100	5,203,405	25	4,133,815	"	"	112,559.400
1913	120,801,588	"	7,293,090	"	4,928,970	"	"	133,023,618
1914	119,842,255	"	9,308,525	"	5,735,645	"	"	124,886.425
1915	97,708,425	"	10,043,780	"	6,055,530	"	"	113,807.735

Year	Land	Valua- tion at per cent.	Buildings	Valua- tion at per cent	Business Assessment	Special Franchise	Total
1916	72,740,609	100	10,127,570	25	1,999,912 6%	330,000.00	85,198,091
1917	68,606,473	"	10,130,810	"	1,871,498	330,000.00	80,938,781
1918	65,727,733	"	10,170,985	"	2,024,696	550,000.00	78,473,414
1919	77,943,010	"					

In considering Total Assessment on which Mill Rate is payable, deduct the Business Assessment from Total.

## TAX RATES

Year	Total Rate Mills	Municipal General No. Mills	School No. Mills	Hospital No. Mills	Library No. Mills	Parks No. Mills	Debenture No. Mills
1904	22	10	6½	...	...	...	5½
1905	22	10	7½	...	...	...	4½
1906	22	10	6	...	...	...	6
1907	18	9	5	...	...	...	4
1908	18	9	5	½	...	...	3½
1909	21½	10	7¼	½	...	...	3¾
1910	15	7½	4½	¼	...	...	3½
1911	14½	7 19-16	3½	¼	1-2	3-5	2½
1912	12½	7.4100	2.6313	.2266	.1550	.3750	1.7021
1913	18¾	10.2885	3.0298	.5634	.5418	.1505	4.1760
1914	20.75	9.129	5.61	1.0567	.1854	.7376	4.0313
1915	19.50	7.2331	5.5085	.8828	.1757	.5272	5.1727
1916	21.50	2.4919	7.5058	.8058	.1322	.7347	9.8296
1917	26.50	5.2221	8.7012	1.0000	.1773	.5781	10.8213
1918	32.00	5.5674	9.6680	1.2754	.2446	.5053	11.4893

SPECIAL LEVIES 1918	}	Special Treasury Note (No. of mills) ....	2.25
		Prov. Treas. .... (No. of Mills) ....	1.00

It will be observed that, while there has been a rapid rise in the mill rate from 1913 onwards, the assessment, which, at its highest, fell far short of the inflated level reached in Edmonton, has been greatly reduced in sympathy with the fall in the market value of real estate.

Taking the figures for 1918, the city tax rate of 31 mills on the assessment of land, buildings, and special franchises, together with the 6 per cent. rate on the business assessment, gives a total tax levy of \$2,491,392, or a per capita tax of \$35.59 on the estimated population of 70,000.

The 31 mill city rate on land and buildings, together with the Provincial Supplementary Revenue Tax of 1 mill on land value gives a total tax on burden on real property of \$2,428,759, or \$34.69 per head.

The total arrears of taxes on 31st December, 1918, amounted to \$4,539,718.

### Tax Sale Certificates

In Calgary, as throughout the municipalities of the West, the problem of delinquent taxes and the difficulty of enforcing payment of arrears became serious during the years of depression. In 1917 the city obtained an amendment to its charter, authorizing the issue and sale of tax certificates against land on which the taxes were in arrears. Calgary appears to have been the first of Canadian cities to adopt this method which has been for some time in use in certain cities of the Western States. By this method the purchaser of a tax certificate has a claim against the land, which after a certain time can be enforced by sales. The amount paid for the tax certificate bears interest and is a first charge against the land. The method is said to have the advantage that it attracts investors who are willing in this way to invest in an interest bearing security, but would not care to purchase the land itself. The authority to issue such certificates has since been extended to other Alberta cities.

### Taxation of Suburban Land

In the four leading cities of Alberta—Edmonton, Calgary, Lethbridge, and Medicine Hat, much of the financial difficulties of the present has arisen from the undue extension of the city boundaries. This has resulted in the inclusion of what is, and must for many years remain, essentially agricultural land. To some part of this outlying territory public utilities have been extended at great cost, at the suggestion, in many cases, of the real estate owners, and with resulting increase in the cities' indebtedness. In Calgary, for example, some sixteen out of its total area of 36 sections consist of land of this character, while of Medicine Hat's area of 11,000 acres, 4,000 can be described as purely agricultural land, and on this the tax arrears at present (1919) amount to about \$50.00 per acre.

The attempt of the cities to assess and tax this outlying land on the same basis as city property, passed unheeded, while it was in the interests of the real estate speculator that it should be represented as consisting of attractive building sites. But now that not the most optimistic can so delude himself, the demand of the owners is that the city boundaries should be readjusted so as to leave this land outside. It is claimed that the heavy taxes have rendered the lands unsaleable, and that the accumulated debts against them in the shape of arrears of taxes, are rapidly eating up their entire value.

To this proposal the cities cannot agree in view of their heavy debenture indebtedness incurred largely on the security of taxes levied on such land.

How the cities of Alberta stood in that respect at the close of

1917 will be seen from the following table taken from the Report of the Department of Municipal Affairs:—

## STATISTICS RESPECTING CITIES OF ALBERTA—1917

Name	Total Population	Municipal Assessment	Taxes Levied	Municipal Debenture Debt	School Debenture Debt
Calgary.....	65,000	\$ 91,069,591.00	\$1,616,485.25	\$20,477,518.61	\$2,642,732.97
Edmonton....	100,213	850.00	1,879,009.67	21,704,088.50	3,419,950.67
Lethbridge.....	10,500	11,866,395.00	454,475.80	3,857,855.66	.....*
Medicine Hat..	10,000	13,594,465.00	331,415.60	3,329,647.90	662,972.07
Red Deer.....	2,500	3,176,780.00	55,345.28	343,449.74	50,000.00
Wetaskwin.....	2,000	2,604,895.00	55,354.00	462,062.21	50,472.00

\*School Debentures debt not reported.

But, while opposing either a reduction of their limits or of the amount of arrears of taxes, the cities advocate (a) division of the city area into zones with cancellation of subdivisions in the outer zone, and taxation of this land with the existing unsubdivided lands on an acreage basis having regard to its value for agricultural purposes only; (b) that the payment of arrears of taxes should be spread over a period, say, of ten years, one-tenth being payable each year together with interest on the balances outstanding at the rate of 8 per cent. per annum. This plan is similar to that already in operation in the City of Victoria. It is proposed in the Alberta cities that the extension over ten years should apply only to properties in the outer or suburban zone, while the owners of those within the inner ring of city lots would have to pay one-fifth of the arrears annually.

## APPENDIX E.

**TAXATION IN SASKATCHEWAN**

*Synopsis and Observations by A. B. Clark, Professor of Political Economy, University of Manitoba.*

**I.—PROVINCIAL TAXATION.**

The Province of Saskatchewan, like the sister province of Alberta, was created on September 1st, 1905. It embraces the districts known, under the government of the Northwest Territories, as Assiniboia and Saskatchewan, and the eastern half of the district of Athabasca. The area of the province is 251,700 square miles, or more than twice the area of the United Kingdom, and greater than that of any European country save Russia. The province is essentially an agricultural and more especially a wheat growing region. Of its area the land suitable for agriculture is estimated at 94,000,000 acres, and of this upwards of 74,000,000 acres are as yet unimproved. The population, which in 1906 was 257,763, had increased at the Quinquennial Census of 1916 to 647,835, and in 1918 was officially estimated at 691,000.

In Saskatchewan prior to 1917 the provincial tax system rested on quite different bases from that of the municipalities. To the latter belonged the exclusive privilege of taxing real estate, business and income; while the provincial revenue included, in addition to the Dominion subsidy, the corporation and railway taxes, the succession duties, and a varied assortment of licenses and fees.

As we have already seen in the case of Alberta, so in Saskatchewan the proportion of the provincial revenue received from the Government of Canada is too great, and that from taxation too small, to admit of the degree of elasticity essential to a good revenue system. This defect is rendered more pronounced by the fact that the existing taxes are not of an adaptable character. The rates cannot be readily altered, like, for example, the rate of an income tax, to meet the varying financial needs of the province from year to year. The position in this respect has been but slightly altered by the legislation of 1917 to be noticed below.

In Saskatchewan, as in Alberta, the most important item in the provincial revenue is the Dominion Subsidy of \$1,710,675, which includes (a) the allowance for Government and Legislation; (b) the Subsidy of 80 cents per head on Population of 691,000; (c) the Debt Allowance; (d) the Allowance in lieu of public lands. Only the last mentioned item calls for special notice.

Saskatchewan, like the other prairie provinces, has not yet been ceded the title to the public or ungranted lands within the province, but in lieu thereof receives annually a certain sum as part of the Dominion Subsidy. The amount of this sum is determined, in accordance with the statute by which the Province was created in 1905, on the basis of the population as ascertained at each quinquennial census. It was fixed, in the case of Saskatchewan, as in that of Alberta, at \$375,000 till the population reached 400,000. Between that and 800,000 the allowance is to be \$562,500, its present level. Thereafter the allowance will be \$750,000 till the population reaches 1,200,000, and beyond that limit \$1,125,000.

In addition to the subsidy proper, the Province receives annually from the Government of Canada a considerable and increasing sum as income from the school lands fund, held in trust by it. For the fiscal year 1916-17 this amounted to \$273,046 and for 1917-18, \$497,021.

Of the general revenue of the province for the year 1916-17 amounting to \$5,631,911 the subsidy proper formed 30.4 per cent, and the total receipts from the Government of Canada, including the income from the school lands fund, amounted to \$1,983,721 or 35.2 per cent. Direct taxation in the literal sense was responsible for only 6.6 per cent., of which Corporation and Railway Taxes together yielded \$304,215 or 5.4 per cent., and Succession Duties \$69,996 or 1.2 per cent. Land Titles fees, court fees, companies, and other fees, motor vehicle, moving picture and other licenses and fines, collected by the different departments of government, accounted for \$1,445,448 or 25.7 per cent. "Licenses" and "fees", however, as already explained, are to a considerable extent really taxes. The balance of \$1,828,531, or 32.5 per cent., was made up of interest, revenue arising from the Liquor Stores system, and miscellaneous departmental revenues.

Reference has already been made to the tax legislation of 1917. Of the enactments of that year the Public Revenues Act and the Wild Lands Tax Act have materially contributed to increase the tax revenue of the Province. Their influence will be seen from the following table which gives the yield of the leading taxes for 1917-18, and the estimated yield for 1918-19.

	Revenue for 1917-18	Estimated Revenue for 1918-19
Public Revenues Tax.....	\$928,601	\$1,700,000
Wild Lands Tax.....		750,000
Corporation Tax .....	210,007	230,000
Railway Tax .....	109,390	108,000
Succession Duties .....	115,802	80,000

The following are the different sources of Provincial Tax Revenue and the rates at present in force.

### Public Revenues Tax.

The Patriotic Revenues Act of 1916, in order to raise a fund to assist in meeting expenditures incidental to the war, imposed a tax of one mill on the dollar of the total value of all rateable property in the municipalities, and one cent per acre on land in the local improvements districts. In 1917 this was superseded by the Public Revenues Act which imposes a tax of two mills on the dollar, and one cent per acre, as above, and one-fifth cent per acre upon land leased from the Crown for grazing purposes. By this measure the tax becomes explicitly a part of the provincial revenue system for general purposes, though for the year 1918 one million dollars of the yield was ear-marked for patriotic purposes. The tax is collected by the municipal officials and the proceeds, less five per cent., handed over to the Provincial Treasurer.

### Wild Lands Tax.

This provincial tax of 1 per cent on the assessed value of unoccupied land superseded the much debated municipal surtax on 1st January, 1918. In 1913 the Rural Municipality Act had been amended by the addition of certain sections providing for the imposition of a special tax to be called a "surtax", at the rate of  $6\frac{1}{4}$  cents per acre, on uncultivated land in the rural municipalities. By one of the provisions, "the land of any owner or occupant exceeding 1920 acres" became subject to the tax without any qualification as to cultivation. This provision, which obviously struck at large holders in general, was repealed in 1915, when the law was otherwise slightly amended. But the declared object of the surtax was to compel landowners, generally non-residents, who it was alleged withheld the land from cultivation, speculating for the rise in its value through the industry of the resident farmers, to make a special contribution to the municipal revenue from their supposed "unearned increment." The Hudson's Bay Company contested the legality of the tax on the ground that it was an exceptional tax, and as such a violation of the terms of the deed by which the Company surrendered its territorial rights to the Crown in 1869, and of the Imperial Order-in-Council by which the territory was transferred to the Government of Canada in 1870. The verdict in the Canadian courts was against the Company and the judgment was confirmed by the Privy Council in 1919.

The surtax was levied and collected by the municipalities, and the revenue therefrom was used for general municipal purposes. During the four years of its existence it yielded a considerable, though rapidly diminishing, revenue.

In December, 1917, the surtax provisions of the Rural Municipality Act were repealed, and Saskatchewan followed the example

of Alberta by levying a **Wild Lands Tax** for provincial purposes, at the rate of 1 per cent. of the assessed value, upon all the lands in the province of which the owner has less than certain specified proportions in cultivation on the 1st August of the year in which the assessment is made. The Act is administered by a Wild Lands Tax Commissioner. In the local improvement districts the officials of the Commissioner are responsible for the assessment, levy and collection of the tax. In the rural municipalities, however, these duties are left to the municipal authorities by whom the proceeds of the tax, less a commission of five per cent., are forwarded monthly to the Provincial Treasurer. But as assessments made by local assessors frequently result in glaring inequalities, and this Tax and the Public Revenues Tax together furnish an incentive to under assessment, the Commissioner is authorized by the Act to take all necessary measures for equalizing the scale of assessment as between different municipalities. In his **Report** for 1918-19 the Commissioner says: "In some cases the difference in the scale of assessment in neighboring municipalities was found to be as much as fifty per cent., notwithstanding the fact that the land in the two municipalities was practically of equal value."

#### Succession Duties.

Saskatchewan exempts from Succession Duty: (a) Any estate, the aggregate value of which does not exceed \$5,000; (b) Property not exceeding \$25,000 passing to near relatives in the direct line, who are resident in the province; (c) Property not exceeding \$300 passing to any one person.

The rates are graduated according to the aggregate value of the property passing, and vary also with the degree of kinship of the beneficiary to the deceased. Thus (1) on property passing to relatives in the direct line the duty varies from 1½ per cent. when the amount exceeds \$25,000 but does not exceed \$50,000 to 15 per cent. when it exceeds \$1,200,000; (2) Where the property passes to other relatives within certain degrees of kinship, the duty begins at 5 per cent. when the aggregate value exceeds \$5,000 but does not exceed \$50,000, and rises to 17½ when it exceeds \$450,000; (3) Where the property passes to more distant collaterals and strangers the duty varies from 6 per cent. when the aggregate value exceeds \$5,000 and does not exceed \$10,000, to 20 per cent when it exceeds \$1,000,000. There is provision for additional duties when the deceased dies domiciled out of Saskatchewan and for a duty, or additional duty of 1 per cent., where the property passes to non-residents under Class (1) above.

#### Probate Fees.

The Succession Duty Act also provides for the payment, upon application for letters probate or letters of administration, of such fee as may be fixed by the Lieutenant-Governor-in-Council.

The fees fixed at present vary from \$1 to \$10 according to the aggregate value of the estate.

### Corporation Taxation.

Under the Corporations Taxation Act, taxes are levied on corporations, chiefly financial and transportation companies, which do not come under section 28 of the Companies Act. The list includes banks, insurance, land, loan, trust, telegraph and express companies.

**Banks** are taxed \$1,200 on their head office in the province, \$300 on each city branch, \$150 on each town branch, and \$50 on other branches. In the case of private banks the tax is: For the head office, \$200 when in a city or town, and \$100 when in a village, with an additional tax of \$25 for each branch or agency in the province.

**Insurance Companies** formerly paid a tax of 1 per cent. on their gross premiums. But, under an amendment of the Act made at the 1918-19 session of the Legislature, they are now taxed on a progressive scale, the tax rising gradually from 1 per cent. when the gross premiums do not exceed \$50,000 to 2 per cent. when they exceed \$200,000. When an insurance company invests money in the province to the amount of \$25,000 or over it is subject to an additional tax of 50 cents per \$1,000 invested.

**Land Companies** registered in Saskatchewan pay 40 cents for every \$1,000 of business done in the province in the buying or selling of land or receipt of revenue therefrom, with the proviso that the minimum tax shall be the sum for which the Company would otherwise be liable as an annual fee under the Companies Act.

**Loan Companies** pay a tax of 40 cents per \$1,000 of their funds under investment in Saskatchewan during the preceding year, with a minimum tax of \$25 when the authorized capital is less than \$50,000, \$50 when it is over \$50,000 but less than \$100,000, and \$100 when the capital is \$100,000 or more.

**Telegraph Companies**, including railway companies which own, lease or operate telegraph lines in Saskatchewan and do a general commercial telegraph business, pay annually a sum not exceeding 1 per cent. of the gross earnings for the preceding year, provided that the sum so paid by any one company shall not exceed \$2,000.

**Express Companies:** Any such company doing business directly or indirectly in Saskatchewan pays: (1) \$150 for an office in an incorporated city; (2) \$50 for each town; (3) \$10 for every other place with a population of two hundred or over, in which it does business.

**Trust Companies** formerly paid a tax of 40 cents on every \$1,000 investment. But at the 1918-19 session of the Legislature there was substituted a tax of  $1\frac{1}{2}$  per cent. of the gross income derived from the investment of the company's own capital and one-half of one per cent of the gross income derived from the investment of trust funds, handed to it for investment. There is a minimum tax of \$100 where the authorized capital of the company does not exceed \$100,000, and \$75 where it exceeds that amount. When a company carries on a trust, loan and land business, or any two of them, it pays such taxes as may be applicable to each business.

In the cases of insurance, loan and trust companies respectively, there is a proviso that money lent on bonds or debentures of municipal, school or other local or public bodies in Saskatchewan shall be exempt from provincial taxation. Such bonds and debentures are thus rendered so far a more attractive form of investment for the funds of the companies.

Saskatchewan's legislation for the taxation of corporations seems to have been originally modelled on that of Manitoba, just as Manitoba itself had, generally speaking, followed the example and profited from the experience of Ontario. The rates levied on the different classes of companies seem to be of a purely experiential or rule of thumb character. They can scarcely be said as a whole to exhibit the working out of any fundamental principle of taxation. The rates on banks for example do not seem to bear any relation either to ability to pay or benefit received. The taxation of gross income, as in the case of trust companies, while not an ideal method, has at least the advantage that it puts a premium on economy in administration.

Companies not taxed under the Corporation Taxation Act, none the less, contribute to the tax revenue of the province in the form of incorporation and registration fees and annual license fees. Thus for the year 1917-18 the administration of the Companies Act cost only \$2,537.00, whereas the revenue from fees under the Act amounted to \$65,558.

### **Railway Taxation**

The Railway Taxation Act 1909 imposes a tax on the gross earnings of railway companies derived from their line or lines, or such portions thereof as are within Saskatchewan, at a rate, to be determined by the Lieutenant-Governor-in-Council, not exceeding: (a) 3 per cent. of the gross earnings of that part of the railway in operation for seven years or more; (b)  $\frac{1}{2}$  per cent, of the gross earnings of that part in operation for five years or more and less than seven years.

As already explained, the property of the Canadian Pacific Railway Company is, by its charter of 1881, exempted from

all taxation in territory then under the jurisdiction of the Dominion Government. The Saskatchewan legislature, however, holding that this exemption applied only to real and personal property, attempted in its Railway Taxation Act of 1908 to make the company pay by levying a tax on the gross earnings of railways. The company disputes the claim, but as neither side has cared to bring the matter to a legal issue it continues by agreement to pay to the Saskatchewan Government the sum for which it would be liable under the Act. The productiveness of the tax is further restricted by the exemption, under the Act, of companies whose bonds debentures, or securities are guaranteed by the Provincial Government. In 1917-18 the tax yielded \$109,390, of which the Canadian Pacific Railway Company contributed \$85,000 and the Canadian Northern \$24,390. But as the latter is now the property of the Government of Canada it will in future be exempt from provincial taxation.

#### **Timber Areas Tax.**

The "Act to provide for the taxation of persons holding or operating Timber Areas", 1917, imposes a tax of one cent per acre, with a minimum tax of \$25. There is an exemption as to any area which is shown to be held under permit for the purpose of cutting timber or cordwood for settlers' use; and a remission or rebate not exceeding one-half cent per acre to any person shown to be manufacturing in Saskatchewan from trees cut on such timber area.

#### **Supplementary Revenue Tax.**

This is a tax of 1 cent per acre, regardless of value, and on grazing lands leased from the Crown  $\frac{1}{2}$  cent per acre, the proceeds of which are used for the support of educational institutions. This tax was first levied in 1907, in order to make the holders of land in areas outside the school districts assist in the upkeep of provincial educational institutions. Throughout the rural municipalities, it is collected by the Secretary-Treasurer, and in the local improvement districts by the Department of Municipal Affairs, the proceeds being handed over to the Provincial Treasurer. The revenue from the tax is distributed as follows: Rural Schools, 80 per cent.; High Schools, 10 per cent.; Provincial University, 5 per cent.; Agricultural College, 5 per cent.

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## II.—MUNICIPAL TAXATION

The foundations of municipal government and taxation in what is now the Province of Saskatchewan, as in the sister province of Alberta, were laid under the Government of the North West Territories.

Very early, with the growth of settlement, the endeavour to provide for the needs of local self-government and of local improvements led to the passing from 1883 onwards of a series of Ordinances respecting municipalities. These culminated in the General Municipal Ordinance of 1897, which provided for the incorporation of rural municipalities and towns, the cities being left—as they still are in Alberta—for special legislation. Villages were then unincorporated, and the overseer elected by the residents had to render an annual account of the village finances to the Commissioner of Public Works, by whom the village property was held in trust, and through whom only could the village sue or be sued.

The requirements of the more sparsely settled parts of the Territories were met from 1898 by the creation of local improvement districts. Under the Local Improvement Ordinance of 1903 provision was made for small local improvement districts with an average area of 4 townships. Each township constituted a division, and one councillor elected from each division formed the council board.

In 1904, in consequence of the persistent demand for greater powers of local self-government, the Territorial Legislature had taken the initial steps towards a comprehensive inquiry into municipal organization and administration. But the executive of this scheme was interrupted when, in 1905, the North-West Territories were broken up to form the provinces of Alberta and Saskatchewan. In 1906, however, the Government of Saskatchewan proceeded to carry out the policy of their predecessors. The Local Improvement Ordinance of 1903 was embodied with slight modifications in a Local Improvement Act, and a Municipal Commission was appointed for the purpose of making an exhaustive inquest, as a necessary preliminary to systematic municipal legislation. The substance of the Commission's recommendations was embodied in a series of comprehensive enactments passed in the years 1908-1909, to wit, the City, Town, Village, Rural Municipality, and amended Local Improvement Acts.

### Local Improvement Districts, and Rural Municipalities.

By the legislation of 1908 and 1909 all existing small Local Improvement Districts were dissolved and the Province was divided into territorial units, each containing nine townships or 324 square

miles, save where natural conditions made modification necessary. The Territorial unit was in turn divided into six wards of one township and a half each. The council board consisted of one representative for each ward, with, in the case of the Rural Municipality, a reeve elected by the municipality as a whole. To the ratepayers of each territorial unit it was left to decide whether it should be organized as a Local Improvement District or as a Rural Municipality. The unit being the same in each case, transition from the lower to the higher organization could easily be effected. The former was avowedly and explicitly intended as a purely temporary and transitional organization. It could deal only with small local improvements, e.g., the extermination of weeds and vermin, and provide for the resident sick and indigent. For such purposes it has a strictly limited power of raising temporary loans. The rural municipality, on the other hand is a permanent institution, a body corporate with power to pass by-laws on matters pertaining to the general good of the community. Such by-laws become effective when approved by the Minister of Municipal Affairs. It may also raise funds on the debenture system to an amount not exceeding \$3,000 per township for the purpose of permanent improvements, thus distributing the burden of such public works over a term of not more than twenty years.

The fear of rash borrowing and high taxation for a time militated against the popularity of the rural municipality. But under the Rural Municipality Act the borrowing powers of the Saskatchewan Municipalities are strictly limited. The total debenture indebtedness may not exceed \$3,000 per township, nor may the rate of interest be higher than 8 per cent. Further, such loans can be arranged only with the consent of the ratepayers and the approval of the Minister of Municipal Affairs. As the reality of these safeguards, and the advantages of municipal organization, came to be generally appreciated, the Rural Municipality rapidly grew in favour; and by December, 1912, the number of rural municipalities having grown to two hundred, as against ninety local improvement districts, the latter were by legislation raised as from 1st January, 1913, to the rank of rural municipalities. From that date onwards the term "Local Improvement District" in Saskatchewan designates the entity previously known as a "large local improvement district," i.e., a sparsely peopled area on the fringe of settlement in which there is no municipal organization whatever—no council. In such districts, which embrace the portion of each provincial electoral constituency, if any, outside the municipalized area, the local improvement and supplementary revenue taxes are assessed and collected by the Department of Municipal Affairs and the proceeds are disbursed, through the Board of Highway Commissioners, for road improvements, fire guards, wolf bounties, etc., within the districts concerned.

### Taxation.

In the small or organized local improvement districts, while they existed, land only was taxed, and that on an acreage basis; and so it is now in the unorganized local improvement districts. The rate is  $1\frac{1}{4}$  cents per acre save in the case of leased land on which the leaseholder pays  $\frac{3}{4}$  of a cent per acre.

In the rural municipalities also, land only is taxed, save in the case of hamlets undermentioned, and prior to 1st January, 1914, it was taxed on the acreage basis. But on that date the system was brought into harmony with that already prevailing in the rural municipalities of other Canadian provinces, the flat rate on the acre being superseded by the assessment and taxation of land according to its value. For this purpose the Act requires that the land be assessed at its actual cash value, exclusive of any increase in such value caused by the erection of any building thereon or by any other expenditure of labour or capital.

To the rule that land only is taxable in rural municipalities there is an exception in the case of hamlets or subdivisions. There buildings on the lots of an area not exceeding 40 acres, and not strictly agricultural in character, are assessed for taxation at 60 per cent. of their value.

### VILLAGES.

Under the Government of the North-West Territories, Villages, as already noted, were unincorporated. The overseer was elected by the village residents, but had to render an annual account of the finances of the village to the Minister of Public Works, by whom the village property was held in trust and through whom only could the village sue or be sued. By means of Village Ordinances, however, provision was made from time to time for the general welfare of these communities, in respect of such matters as health, fire protection, and local improvements. Under the Village Ordinance of 1895, for example, an area of 320 acres might, if it contained ten houses, be organized as a village. By the first Village Act of Saskatchewan passed in 1906 the possible area of the village was greatly extended, for under it any area not exceeding 1,280 acres, having fifteen dwelling houses therein, might be constituted a Village by order of the Lieutenant-Governor-in-Council. A reaction in favour of greater density of population, however, followed and the Act of 1908 restricts the area of villages established under it to 640 acres and requires a resident population therein of not less than fifty. In 1912 this minimum resident population, necessary for incorporation as a village, was raised to one hundred, of whom twenty-five must be adult males. In 1918 women were placed on the same status as men.

In the early days of the Saskatchewan village its powers were very limited. It had certain regulations but no by-laws and its

power to borrow on debenture was limited to \$1,000 to be repaid in ten years. The Overseer was practically the sole executive, combining, as he did, the offices of assessor, secretary-treasurer, fee and license collector, etc. In the expenditure of the village funds his discretion was limited only by the decision of the ratepayers at their annual meeting. The Village Act of 1908, however, introduced a more representative system, the ratepayers being required to elect three councillors, who in turn elect one of their number as chairman or "overseer" and also appoint from outside their own body a paid secretary-treasurer. The Council is empowered to pass by-laws which become operative when approved by the Minister of Municipal Affairs. It may obtain money for current expenditure by temporary borrowing to the extent of not more than 60 per cent. of the tax levy of the current year; and for more permanent outlay it may issue debentures extending over fifteen years, provided the by-law is approved by the Minister of Municipal Affairs.

#### Village Taxation.

Under the Village Ordinance of 1901 and later amendments it was provided that the necessary revenue of the Village should be raised by a yearly rate, not exceeding 10 mills on the dollar, upon the property not exempt from taxation. But by a petition of two-thirds of its ratepayers to the Commissioner of Public Works a Village might secure the limitation of the assessment to the actual value of land, exclusive of improvements, the tax rate being limited to 2 cents on the dollar. In the same way a village might revert to the original assessment.

This "optional single tax" policy was continued under the Provincial Government of Saskatchewan. Thus while the Village Act of 1908 provided for the assessment of "all real and personal property and income" in the village, not exempt from taxation, it also permitted the Council, on a signed petition of two-thirds of the resident electors, to limit by by-law the assessment to land values exclusive of improvements.

In like manner, a village which had exempted improvements might repeal the by-law, and thereby return to the old system under which land was assessed at its fair actual value, and buildings and improvements thereon at 60 per cent. of their actual value.

But the policy of exempting improvements from taxation never became really popular with the Saskatchewan villages. In some cases the fact that its adoption involved at first the exemption of elevators, erected on railway land told heavily against it. In 1914, when the "single tax" fever had reached its height, out of a total of 297 villages only 78, or a little over 26 per cent., had elected to exempt improvements, and shortly thereafter the diffi-

culties associated with the "single tax" policy became manifest. In 1916, the average rate of taxation for municipal purposes in villages where land only was assessed was 35.25 mills, as against 16.25 mills in those where both land and improvements were assessed. A revision of the system had become inevitable. The Department of Municipal Affairs had repeatedly expressed approval of which are numerous, particularly so when it makes the non-resident speculator pay the same amount of taxes for his lot as the owner who may have a good building situated on a similar lot." But in 1916 it begins to note "an inclination on the part of a few (urban municipalities) to levy taxes on buildings;" and later the same authority states that "in too many instances the eighty-one Saskatchewan villages which were assessing land values only found themselves exempting from taxation business men with large incomes who were not contributing their joint share to the up-keep of the community. 'Ability to pay was not recognized in a manner that meant ready revenues for the village.'"

Accordingly in December 1917, when 81 of the 313 Saskatchewan villages, or scarcely 26 per cent., had adopted the "straight land tax," the section of the Village Act which permitted the exemptions of improvements was repealed, and the assessment in villages is in consequence now based on (a) land; (b) buildings and improvements, (60%); (c) personal property, and (d) income.

Taxes paid on real property are allowed as a set-off against an equal amount of income tax. Income tax, in other words, is payable only to the amount by which it exceeds taxes paid on real property. Also where taxes are paid on stock-in-trade or other personal property in business, the income arising from such business is not taxed.

It is provided that the taxes in respect of any grain elevator and its contents and the income derived therefrom shall not exceed in any year \$75 for municipal purposes, and \$75 for school purposes.

#### Exemptions.

Among the exemptions from taxation set forth in Sect. 198 of the Village Act the following are worthy of note:—

- (a) Buildings used exclusively for church purposes and the lot or lots whereon such buildings stand, not exceeding one-half acre.
- (b) Personal property other than income, to the amount of \$300.
- (c) Personal income up to \$1,000.
- (d) Household effects, etc.
- (e) Grain.

### **Tax Rate.**

The statute provides that for municipal purposes the uniform rate on property and income, to be fixed by the Village Council with due allowance for non-payment of taxes, shall not exceed 10 mills on the dollar of the assessment. (Formerly in cases where the assessment was on land values the rate was limited to 4 cents on the dollar.) The maximum rate so fixed may, however, be exceeded in cases where this is necessary to meet debenture coupons accruing due during the year. The minimum tax payable by any person for municipal purpose is \$2.

### **School Tax.**

The village council is required to assess and levy in accordance with the School Assessment Act such rates as shall be sufficient to meet the sums required for the purposes of the school district, or portion of a district, within the village limits. The minimum school tax payable by any person is also \$2.

No rebate is allowed for prompt payment of taxes, but on taxes remaining unpaid after 31st December, there is a penalty for non-payment at the rate of 8 per cent.

### **Arrears of Taxes.**

In March, 1917, the Village Act was amended so as to permit the council, with the approval of the local government board, to compromise the claim of the municipality for arrears of taxes on subdivisions not required for building purposes, and to remit so much as it may deem expedient. In the case of arrears of taxes not falling within this category, the council in virtue of a further amendment in December, 1917, may compromise the claim with the consent of the Minister.

### **TOWNS AND CITIES.**

Under the General Municipal Ordinance of 1897, a village with 400 residents could be raised to the status of a town; and in some cases, by special Acts, towns were incorporated with an even smaller population. Of the seventy-five towns existing on May 1st, 1919, eighteen had less than 500 inhabitants—the minimum population required for incorporation as a town since the passing of the Town Act in 1908. A town, in turn, must have a population of 5,000 before it can be incorporated as a City; but, as a result of the collapse of the land boom and the conditions incidental to the war, at the census of 1916 three of Saskatchewan's seven cities had fallen below that level. Later official estimates, however, show a marked recovery. The cities of Saskatchewan, unlike those of the neighboring provinces, have no special charters but are all alike governed by the general City Act.

The provisions of the City Act and the Town Act in respect of assessment and taxation are so nearly alike that they may be conveniently considered together.

The legislation of 1908-9 provided that in both cases the municipal and school taxes should be levied on (1) lands—interpreted as including improvements; (2) businesses; (3) income; and (4) special franchises.

### The Real Estate Tax.

Land was to be assessed at its fair actual value and buildings and improvements thereon at sixty per cent. of their actual value. In respect of buildings and improvements, however, a radical change was made in the session 1910-11, when it was enacted that they should be assessed at **not more than** sixty per cent. of their actual value, and that the assessment in any year might be reduced below that of the previous year by not more than fifteen per cent. of the value. Thus, the cities and towns that elected to do so, might wholly eliminate the assessment of buildings and improvements within four years. All of the cities took advantage to a greater or less extent of this permission. It was easy to do so in the years when, owing to the rapid growth of population—at the rate of 30 per cent. per annum in many of the cities and towns,—land values were expanding, and inflated assessments not only assisted the speculator to unload, but gave to the municipalities increased borrowing powers. Thus, in 1913, when the inflation of real estate values had already reached its limit, the percentages of the value of improvements on which taxes were levied had reached the low level at which they still stood in 1917, namely:—

Moose Jaw.....	45 per cent.	Saskatoon .....	25 per cent.
North Battleford....	30 “	Swift Current.....	15 “
Prince Albert.....	15 “	Weyburn .....	30 “
Regina .....	30 “		

None, it will be observed, had at the time when the downward progress in the assessment of improvements was arrested by financial stringency, contraction of land values, and the alarmingly rapid growth of taxes. As Dr. Murray Haig shows, the city which had gone furthest in the direction of the single tax had the largest accumulations of arrears of taxes.\*

The towns on their part had shown less enthusiasm than the cities for the “single tax” ideal, and responded less readily to the prompting of the Legislature. Up to the outbreak of the World

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\*“Taxation in the Urban Municipalities of Saskatchewan,” p.p. 25, 28.

War in 1914, less than one-fourth of their number had reduced the assessment of improvements below 60 per cent., and of these, only two had reached an assessment as low as 25 per cent.

The caution of the majority was justified of its fruits. The shrinkage of real estate values which had already begun in 1913 soon reached the stage of complete collapse, and the weakness of a policy that would narrow the basis of taxation to land values only could no longer be denied save by the purblind and hopelessly confirmed adherents of the Single Tax creed. Arrears of taxes accumulated, tax rates rose rapidly, and the plaint was soon general "that too much of the tax burden now falls upon the land.\*"

The first step in the retreat from an impossible position was taken in 1916, when the City and Town Acts were amended to permit the municipal councils to increase the assessment of buildings and improvements by not more than 15 per cent. per annum of their actual value till the maximum of 60 per cent. is reached. But the demand for a thorough revision of the tax system in the urban municipalities became pressing, and early in January, 1917, this demand found expression in the appointment of two special committees to investigate the subject: (1) A Provincial Committee on Taxation, including both representative ratepayers and administrative officials, (2) A Committee of the Union of Saskatchewan Municipalities. Both committees, while approaching the subject from very different standpoints, were in substantial agreement as to the indefensible character of the existing system; and the urgent need, on the grounds of both equity and sound finance, of broadening the basis of municipal taxation so as to distribute the burden more evenly over the different classes of the community.

To this end the Provincial Government invited Doctor Murray Haig, of Columbia University, to make a "general survey and investigation of the incidence of taxation in the urban municipalities of Saskatchewan." His recommendation that improvements should be taxed at 60 per cent. of their value was given effect to, as we have seen, in the case of villages in December, 1917. But when the Legislature at its next (1918-19) session proceeded to make a similar amendment to the City Act, it was induced to abandon the proposal in face of the opposition of powerful interests, chiefly in Regina and Saskatoon. Any increase remains, therefore, as it has been since 1916, optional with the municipalities. The authorities responsible for the financial administration of the cities and towns for the most part favour a return, either by one leap, or more generally by annual increments of 15 per cent. of the "fair actual value," to the taxation of improvements on an assessment of 60 per cent. of their value. Commissioner C. J. Yorath, of Saskatoon, for example, favours increasing taxation of improvements but

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\*Department of Municipal Affairs, Annual Report, 1916-17, p. 6.

considers an increase in the assessment from 15 per cent. to 60 per cent. at one jump too drastic.\* Only vested interests bar the way to an increase. The claim to consideration on the part of the resident owner of a large business block is less easily ignored than that of the owner of unimproved property who is not infrequently an absentee. But the notion that the stranger can be made to pay our taxes is surely in the long run as much a delusion and a snare in the fiscal policy of the municipality as it unquestionably is in that of the nation.

### Business Tax.

The method of taxing business in the cities and towns of Saskatchewan is based on floor space measurement with classification of businesses. It is the method which was adopted in 1904 by the City of Edmonton where it was in operation for a number of years till "single tax" ideas prevailed. The merits of the Edmonton business tax in comparison with the old property tax were such that it was widely initiated throughout the West. In 1906, the cities of Regina and Saskatoon secure acts of the provincial legislature abolishing for these cities the personal property tax and substituting a system based on the assessment, not only of lands including improvements, but of businesses, incomes and special franchises. In 1907 the Saskatchewan Municipal commission recommended the extension of this system to all the cities and towns of the province and this was provided for in the legislation of 1908-09. The new business assessment came into general operation in 1909.

Under this system the assessor fixes a rate per square foot of the floor space occupied. As far as practicable, he classifies the various businesses and fixes a different rate for each class. The maximum assessment rate allowed by law is in cities \$8.00, and in towns \$10.00 per square foot, save in the case of banks, loan companies, or other financial institutions, for which the limit is in both cities and towns \$15.00 per square foot. Where, however, the business is carried on either wholly or partially outside any building, the maximum rate per square foot of yard space so used is \$4.00.

The amount to be raised by taxation in any given city or town having been determined, a uniform tax rate is levied on all classes of business and real property.

This system was so obviously an improvement on the personal property tax that it for a time met with general approval. But experience has revealed some rather serious blemishes from the standpoints alike of the taxpayers and of the municipal administrator. The adjustment of the different assessment rates, is of

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\*Western Municipal News, Aug., 1919, p. 249.

necessity a purely arbitrary process, bearing no clearly defined relation to the net profits of the business. The tax falls alike on the prosperous and the struggling or decaying business, so far as they belong to the same class and occupy the same floor space, and thus ignores entirely the principle of faculty or ability to pay. It also works inequitably as between businesses in the centre of the city and in the outskirts. As for the attainment of anything approaching equity in the differentiation between classes, that is clearly a task "for the proper performance of which no human wisdom or knowledge could ever be sufficient."

Further, as each city or town has its own local business assessment schedule, there naturally results (apart from inequality in the tax rates, which is reasonable and inevitable) great inequality in the assessment of the same type of business in different places. It is said that the tendency in some cases has been to seek to attract business by a low assessment, thus seriously lessening the productiveness of the tax. Floor space measurement and similar devices are after all simply adopted as external indicia of net profits as the measure of fiscal obligation, and consideration of the difficulties above mentioned suggests the expediency of abandoning such imperfect signs and levying the business tax directly on the net profits of business.

### Income Tax

Of the urban municipalities of Saskatchewan, only the three chief cities—Regina, Saskatoon, and Moose Jaw—seem to have availed themselves of the opportunity under the law to levy a direct tax on income, and even there, the revenue from this source is absolutely negligible. No adequate machinery has been provided by law for the assessment and collection of the tax; and further, its worth as a revenue producer would be in any case greatly lessened by the provisions of the City Act, whereby (1) those assessed and taxed in respect of land and buildings are permitted to set off this tax against their income tax; (2) no person assessed in respect of any business or special franchise is assessed in respect of the income derived therefrom. Thus the income tax is practically reduced to a tax on salaries, and it is impossible to resist the conclusion of Commissioner Thornton, of Regina: "The personal Income Tax must be made more productive or should be dropped altogether. In its present working it is practically a farce." In January, 1919, the former exemption limit of \$1,000 was raised to \$1,500 in the case of married people.

In no case, however, is a city income tax standing alone likely to be in its practical operation either equitable or productive. The basis of income, under modern conditions, is not local, and it follows that an income tax has more chance of success in proportion as its basis is widened, and administrative control centralized. A considerable proportion of the local tax burden is to meet expenditure of a general character and often beyond the control of the



NOTE—All land is assessed at 100 per cent; improvements assessed at, in Regina 30 per cent, Saskatoon 25 per cent; Moose Jaw 45 per cent, Prince Albert 15 per cent, North Battleford 30 per cent, Swift Current 15 per cent, Weyburn 30 per cent.

It will be seen that in 1917 the percentage of the total taxation imposed on real property was least in the case of Regina with 92.7, and greatest in North Battleford with 100; while, taking land only, the percentage of the total tax burden imposed on it was lowest in Moose Jaw and highest in Prince Albert.

The following statement, the data for which have been kindly supplied by Mr. R. J. Westgate, city assessor, shows the present distribution of taxation in the City of Regina:—

### CITY OF REGINA

#### Assessment and Tax Levy for 1919

In Regina the total taxable assessment for the year 1919 is \$41,422,390, of which \$36,826,110, or 88.9 per cent represents real property, the balance of 11.1 per cent being business and income.

The tax rates for general and school purposes on real property and business are as follows:—

Full Rate: (a), Public School, 33.5 mills; (b), Separate School, 39.3 mills.

Annex Rate: (a), Public School, 29.05 mills; (b), Separate School, 34.85 mills. Income Rate, 30 mills.

The total tax levy for general and school purposes is as follows:—

Land and buildings .....	\$1,224,686.51	= 88.86 per cent.
Business .....	138,740.55	= 10.07 per cent.
Income .....	14,823.10	= 1.07 per cent.

\$1,378,250.16 = 100.00 per cent.

Provincial Government Revenue	
Tax, 2 mills .....	62,247.48
Special Assessments (pavement, sidewalk, sewer, and water)	190,482.48
Licenses, poll tax, etc. ....	18,929.19

\$1,649,909.31

Estimated population, 40,000.

Realty tax burden per capita, \$30.62.

Total tax (including special assessments, licenses, etc.), per capita, \$41.25.

## Statistics Respecting Towns of Saskatchewan, 1918-19

Name	Popu- lation	Assessment	Rate for Municipal Purposes	Debenture Debt
Alameda .....	400	\$ 267,925	7 ½	.....
Alsask .....	600	367,166	18	\$10,479.45
Arcola .....	850	617,938	19 ½	79,916.64
Assinibola .....	850	1,005,425	20	81,922.57
Asquith .....	350	237,499	18	11,211.66
Balgonie .....	250	140,734	13	8,320.00
Battleford .....	1100	1,173,551	34	487,953.12
Biggar .....	1500	931,853	17	84,649.26
Bredenbury .....	300	414,760	10	2,500.00
Broadview .....	1000	562,185	18	30,520.04
Cabri .....	650	572,496	18	9,410.00
Canora .....	1200	1,146,460	23	150,822.52
Carlyle .....	500	298,245	36	57,792.31
Carnduff .....	550	375,949	8	11,765.00
Caron .....	300	180,713	10	1,167.28
Craik .....	975	367,603	20	27,823.93
Davidson .....	650	532,154	29	60,423.90
Dellsle .....	375	357,809	10	10,654.47
Duck Lake .....	600	298,352	14	14,865.00
Estevan .....	2500	2,516,526	33	494,614.04
Fleming .....	300	209,262	2	.....
Francis .....	350	270,698	12. 6	22,921.64
Govan .....	600	444,384	22 ½	26,589.07
Gravelbourg .....	1200	818,585	7	.....
Grenfell .....	800	389,671	16	23,965.04
Gull Lake .....	1000	534,695	17	10,384.16
Hanley .....	400	5,015	17	14,405.73
Herbert .....	1000	812,485	14	22,479.47
Humboldt .....	.....	1,592,290	40	446,153.98
Indian Head .....	1500	974,551	30	241,718.63
Kamsack .....	1600	1,311,075	19	192,793.22
Kerrobert .....	1000	1,257,760	18	113,500.29
Kindersley .....	1000	1,010,572	29	167,417.70
Langham .....	400	285,466	22	15,525.00
Lanigan .....	400	287,685	17	6,280.00
Leader .....	1200	395,355	12	14,471.42
Lemberg .....	435	278,008	10	5,219.50
Lloydminster .....	700	632,374	17	16,409.85
Lumsden .....	675	447,254	13 3-5	13,122.15
Macklin .....	450	284,040	14	6,968.69
Maple Creek .....	1500	1,569,140	14	108,966.86
Melfort .....	1150	1,659,639	23	191,714.08
Melville .....	2600	2,810,717	25	355,816.98
Milestone .....	500	401,697	10	6,724.33
Moosomin .....	1250	906,461	18.5	68,070.20
Morse .....	900	493,621	19	17,191.90
Mortlach .....	600	448,327	7	10,887.27
Nokomis .....	600	470,084	11 ½	31,441.65
Ogema .....	500	205,205	18	9,571.80
Outlook .....	900	870,947	20	91,622.78
Oxbow .....	721	459,601	18 ½	26,112.84
Qu'Appelle .....	750	489,485	11	19,371.33
Radville .....	700	377,556	10	18,459.51
Radisson .....	600	354,644	13	12,245.62
Rosetown .....	1150	678,833	21	30,900.36

Name	Population	Assessment	Rate for Municipal Purposes	Debenture Debt
Rosthern .....	1300	937,372	15	56,647.02
Rouleau .....	750	464,811	26	73,953.40
Salcoats .....	500	389,859	19	32,544.57
Scott .....	250	312,536	9	136,226.02
Shaunavon .....	1500	1,368,095	22	19,519.79
Sintaluta .....	400	187,807	5.5	2,925.00
Strasbourg .....	650	488,145	14 3-10	20,066.53
Sutherland .....	925	934,865	25 2-10	237,013.71
Vonda .....	450	283,772	12	7,777.50
Wadena .....	700	507,999	19	31,559.92
Wapella .....	500	299,919	13 ¾	7,697.33
Watrous .....	800	1,420,608	20	283,546.12
Watson .....	300	205,035	15	1,509.89
Whitewood .....	500	322,019	12	15,226.60
Wilkie .....	1000	1,224,467	15.6	98,716.12
Wolseley .....	1050	629,521	20 9-10	41,367.88
Wynyard .....	800	485,515	12	12,508.65
Yellow Grass .....	500	329,800	25	29,686.30
Yorkton .....	4400	4,845,744	17.58	694,624.76
Zealandia .....	425	254,575	10	6,535.26

### Statistics Respecting Cities of Saskatchewan—1918-19

Name	Estimated Population 1918	Census 1916	Assess- ment	Municipal Taxes	Debentures
Moose Jaw .....	20,500	16,934	\$24,459,930	\$ 504,041.57	\$ 5,057,146.74
North Battleford .....	4,500	3,145	7,006,295	215,589.56	1,099,469.63
Prince Albert .....	6,000	6,436	7,024,726	328,978.18	3,028,900.15
Regina .....	40,000	26,127	42,704,965	1,454,484.83	10,857,887.07
Saskatoon .....	25,000	21,048	30,029,393	1,041,132.77	8,543,143.46
Swift Current .....	5,000	3,181	6,818,122	170,453.05	1,242,385.31
Weyburn .....	4,000	3,050	5,652,138	115,423.15	846,195.45

## APPENDIX F.

*Statement of the Assessor of the Rural Municipality of East Kildonan before Commission on the Subject of Assessment and taxation and matters connected therewith.*

East Kildonan,  
Manitoba,  
12th March, 1919.

E. M. Wood, Esq.,  
Chairman,  
Provincial Tax Commission,  
Winnipeg.

"Dear Sir:—

"As you are the chairman of the tax commission recently appointed to enquire into the incidence of taxation in Manitoba, and knowing as I do the keen interest you take, and the wide experience you have had, in all questions pertaining to taxation, I take the liberty of placing before you a few facts regarding the methods of preparing assessment rolls, as they now exist throughout the Province, and the pressing need for immediate action to remedy the inequalities which exist at the present time.

"In placing these facts before you, I feel confident that they will be directed into those channels from which will emanate the speediest and most lasting results, towards a more equitable distribution of the pressure of taxation on land.

"Doubtless the commission will find it necessary to recommend new sources of revenue, and possibly a readjustment of those existing, nevertheless land will continue to bear a large proportion of the burden of taxation, which I think justifies the suggestions embodied herein.

"In the first place, unless every parcel of taxable roll, and the accurate area of same, appears on the assessment roll, injustices arise. Generally speaking, the assessor has not the means at his disposal of obtaining accurately this information, but is thrown on the principal of tradition, which, I fear, is the system used in the majority of municipalities throughout the Province. If you will pardon me I shall as briefly as possible relate my own experience in this respect.

"A number of years ago I was appointed assessor for a Rural Municipality in Manitoba. Realizing that the rolls prepared by my predecessor were far from accurate, I approached the Council to

have a special survey made of the whole municipality, pointing out the importance of having accurate data on file to corroborate the information on the assessment rolls.

"After considerable discussion they acceded to my request, and ordered a special survey to be made, which revealed the following rather startling facts: 50 parcels had been over-assessed to the total extent of 125 acres; 65 parcels had been under-assessed to the total extent of 102 acres; whilst a number of parcels had never been recorded.

"This illustration should be sufficient to convince any reasonable man, that it is incumbent upon every civic or municipal council who have not previously done so, to have a special survey made of the area under their charge, and thus place their assessments records in this respect beyond reproach.

"In the second place, it is a matter of common knowledge that assessors in rural municipalities, and, until recently, urban municipalities, ignored many properties which came under the exemption clauses of the Assessment Act.

"This may be considered by the uninitiated as unimportant as far as municipal levies are concerned, but as you know the value of land and improvements is interdependent, and, therefore, the value of all exemptions should appear on the roll.

"Until the year 1914 provincial levies were infinitesimal and, therefore, the question of equalization was seldom heard of.

"Since that time, however, new factors have arisen which have added a new significance to the equalization of assessments within the Province. I refer to "the Patriotic levy", "increased levies for Provincial revenue", also "the Greater Winnipeg Water District levy".

"Although complaints have been numerous, I do not wish to criticise the work done by the equalization boards, as I believe they did their best with the data and time at their disposal, both of which were inadequate to ensure satisfactory results.

"Municipalities have not been slow to grasp this fact and the era of competitive under-valuation appears already to have begun.

"The term of 'Actual Value' should be standardized, so far as valuation for assessment purposes in Manitoba is concerned, and I believe the only way to achieve this would be to centralize the supervision and control of the preparation of assessment rolls throughout the Province, in a board or Commission of some dignity, who, after procuring the necessary data, could equalize the interpretation of the term actual value, and thereby secure a valuation for each municipality which would be relatively equal.

"There are many points in the Assessment Act, too numerous to mention at this time, the accurate interpretation of which depends largely on the intelligence of the assessor, this being a varying quantity the results vary accordingly, hence the lack of uniformity of Municipal assessments.

"When the architect designs a building, if success is to attend his efforts, he must provide for thorough supervision during the progress of all the work, (especially the foundation) to ensure the proper interpretation of his plans and specifications, otherwise failure would be the inevitable result.

"The assessor lays the foundation (the assessment roll) for the Municipal structure (taxation), according to his own interpretation of the plans and specifications, (the Assessment Act), prepared by the architect (the Government). This work has no official supervision.

"The secretary-treasurer builds the superstructure (the tax rolls) and the "Architect" sends his inspector (the auditor) to check up this part of the work. Hitherto he has found this part of the work satisfactory and is quite amazed to find his beautiful superstructure rapidly approaching destruction, due largely to faulty construction of the foundations.

"Having made a close study of this question for a number of years, as it operates in different parts of this continent, particularly in Manitoba, I hope you will pardon me for urging immediate action if possible, respecting the preparation of assessment rolls in this province.

"I would very respectfully suggest that the Tax Commission, or the Government, appoint a practical assessor or assessors of known ability to inspect and report on every assessment roll in the Province, as to whether they have been prepared in compliance with the assessment act or not.

"These inspectors should be vested with certain powers over the compilation of the data in the various municipalities, on which the rolls are to be compiled with a view to handling itself readily to scientific tabulation. If in your opinion the suggestions warrant further discussion I shall be pleased to enlarge on them at your convenience.

"All of which is very respectfully presented.

Yours very sincerely,

M. BAILLIE,  
Assessor."

## APPENDIX G

*Statement presented by J. W. Harris, Esq. (formerly assessment commissioner of the City of Winnipeg), regarding the percentage of full value assessed by Manitoba Municipalities.*

"Municipalities questioned 158.

"Municipalities replied 65.

7 Municipalities	100%	7 Municipalities	100%
1 "	80%	6 "	75%
3 "	75%	9 "	66 2-3%
8 "	66 2-3%	6 "	60%
3 "	60%	8 "	50%
9 "	50%	1 "	35%
1 "	45%	5 "	33 1-3%
1 "	40%	1 "	30%
11 "	33 1-3%	3 "	25%
1 "	30%	1 "	33 1-3%
3 "	25%	18 "	" No assessable
1 "	20%		buildings
1 "	5%		Variation 25 to 100%.
1 "	33 1-3—50%		
1 "	20—33 1-3%		
1 "	10—33 1-3%		
2 "	No answer to this question.		

Variation 5 to 100%.

"A go-as-you-please" system may perhaps be suitably applied to some contests of skill or endurance, but, I contend, it cannot be expected to produce satisfactory results in matters of such importance as the assessment of property, upon which an equitable, uniform levy and distribution of taxation depends.

"A Board of Equalization may do very important and valuable service, in an endeavor to level up the assessment valuations returned by the various municipalities, and, in the absence of more direct and suitable machinery for the regulation of assessment methods generally, it seems to furnish about the only available means now provided.

"This system of equalization by a Board has now been in vogue by most of the States in the Union, whose system of raising revenue is somewhat similar to our own. But those boards of equalization are fast becoming superseded by Commissions—composed gener-

ally of three experts—whose duty, among other things, is to see to it that the taxation laws are properly applied and carried out, upon a uniformly equitable basis by all the assessors. And to have general supervision concerning all matters pertaining to assessment and taxation throughout the State, so that incorrect methods may, as far as possible, be eliminated by applying the remedy at the source, instead of allowing the evil to be repeated year after year, to be dealt with in turn by Boards of Equalization. The old and trite saying “an ounce of prevention is better than a pound of cure” can, with emphasis, be applied to assessment work.

“Some arguments have been advanced in favor of having, instead of the Assessment Commission to which reference has just been made, an officer to be known as “Supervisor of Assessments” with duties and powers similar to those of the said Commission.

“I am, however, inclined to think that a Commission composed of 3 experts would be more satisfactory, and in many ways better adapted to the requirements of this Province.

“From the figures and data above given, I believe, I am quite justified in coming to the conclusion that a radical improvement in the methods now being used in assessment valuations in many of the municipalities in Manitoba, is urgently needed, and, in order that these much desired results may be secured, I feel quite warranted in respectfully recommending for adoption by the Province of Manitoba the Commission system above briefly outlined.”

“J. W. HARRIS.”

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# APPENDIX H.

## CITY OF WINNIPEG BUSINESS TAX

6 $\frac{2}{3}$  ON RENTAL VALUES

### STATEMENT SUBMITTED TO COMMISSION BY RETAIL MERCHANTS ASSOCIATION

	1914		1915		1916		1917		1918	
DEPARTMENTAL STORES.	Rental Value	Taxes	Rental Value	Taxes	Rental Value	Taxes	Rental Value	Taxes	Rental Value	Taxes
T Eaton Co. Ltd. ....	\$180,000.00	\$12,000.00	\$165,000.00	\$11,000.00	\$165,000.00	\$11,000.00	\$360,000.00	\$24,000.00	\$360,000.00	\$24,000.00
Robinson & Co. Ltd. ....	69,000.00	4,600.00	63,000.00	4,200.00	63,000.00	4,200.00	90,000.00	6,000.00	90,000.00	6,000.00
Hudson Bay Co. ....	37,500.00	2,500.00	30,000.00	2,000.00	25,002.00	1,666.80	33,000.00	2,200.00	33,000.00	2,200.00
RETAIL STORES.										
Winnipeg Piano Co. ....	10,800.00	720.00	8,700.00	580.00	7,200.00	480.00	7,200.00	480.00	7,200.00	480.00
Fairweather & Co. Ltd. ....	16,500.00	1,100.00	15,000.00	1,000.00	13,500.00	900.00	13,500.00	900.00	13,500.00	900.00
Henry Birks & Sons Ltd. ....	13,500.00	900.00	21,000.00	1,400.00	21,000.00	1,400.00	21,000.00	1,400.00	21,000.00	1,400.00
D. R. Dingwall Ltd. ....	16,800.00	1,120.00	16,800.00	1,120.00	16,800.00	1,120.00	16,800.00	1,120.00	16,800.00	1,120.00
J. J. H. McLean Co. Ltd. ....	9,600.00	640.00	8,700.00	580.00	7,200.00	480.00	7,200.00	480.00	7,200.00	480.00
J. H. Ashdown Hdwe. Co. ....	19,500.00	1,300.00	18,000.00	1,200.00	18,000.00	1,200.00	18,000.00	1,200.00	23,400.00	1,560.00
F. W. Woolworth Co. Ltd. ....	12,000.00	800.00	10,002.00	666.80	10,002.00	666.80	10,002.00	666.80	12,000.00	800.00
J. A. Banfield ....	9,900.00	660.00	9,000.00	600.00	8,100.00	540.00	8,100.00	540.00	8,100.00	540.00
WHOLESALES.										
R. J. Whitla & Co. ....	19,500.00	1,300.00	19,500.00	1,300.00	19,500.00	1,300.00	19,500.00	1,300.00	22,500.00	1,500.00
J. H. Ashdown Hdwe. Co. Ltd. ....	30,000.00	2,000.00	30,000.00	2,000.00	30,000.00	2,000.00	30,000.00	2,000.00	32,000.00	2,150.00
Miller Morse Co. ....	21,000.00	1,400.00	21,000.00	1,400.00	21,000.00	1,400.00	21,000.00	1,400.00	21,000.00	1,400.00
Gualts Ltd. ....	11,250.00	750.00	11,250.00	750.00	11,250.00	750.00	11,250.00	750.00	11,250.00	750.00
Codville & Co. ....	16,500.00	1,100.00	16,500.00	1,100.00	16,500.00	1,100.00	16,500.00	1,100.00	16,500.00	1,100.00
Campbell Bros. & Wilson ....	13,500.00	900.00	13,500.00	900.00	13,500.00	900.00	13,500.00	900.00	13,500.00	900.00
MANUFACTURERS.										
Dominion Bridge Co. ....	6,000.00	400.00	6,000.00	400.00	6,000.00	400.00	6,000.00	400.00	6,000.00	400.00
Manitoba Bridge & Iron Works ....	9,000.00	600.00	9,000.00	600.00	9,000.00	600.00	9,000.00	600.00	9,000.00	600.00
Vulcan Iron Works ....	10,800.00	720.00	10,800.00	720.00	10,800.00	720.00	10,800.00	720.00	10,800.00	720.00
Royal Crown Soap Co. ....	16,800.00	1,120.00	16,800.00	1,120.00	16,800.00	1,120.00	15,120.00	1,008.00	15,120.00	1,008.00
Gordon, Ironside & Fares ....	8,700.00	580.00	8,700.00	580.00	9,900.00	660.00	9,900.00	660.00	9,900.00	660.00
Canada Bread Co. ....	6,000.00	400.00	6,000.00	400.00	6,000.00	400.00	6,000.00	400.00	6,000.00	400.00
Ogilvie Flour Mills Co. ....	27,000.00	1,800.00	27,000.00	1,800.00	27,000.00	1,800.00	27,000.00	1,800.00	32,001.00	2,133.40
Swift Canadian Co. ....	9,000.00	600.00	9,000.00	600.00	9,000.00	600.00	9,000.00	600.00	12,000.00	800.00
DOCTORS AND DENTISTS.										
Good & Turnbull ....	2,100.00	140.00	2,100.00	140.00	2,100.00	140.00	1,800.00	120.00	1,800.00	120.00
Prowse ....	1,692.00	112.80	1,524.00	101.60	1,524.00	101.60	600.00	40.00	600.00	40.00
Robinson's (Birk's Bldg.) ....	2,604.00	173.60	3,144.00	209.60	2,370.00	158.00	2,220.00	148.00	2,520.00	168.00
New Method (Glassco) ....	3,600.00	240.00	3,600.00	240.00	3,600.00	240.00	2,700.00	180.00	2,700.00	180.00
FINANCIAL.										
Great West Permanent Loan ....	6,000.00	400.00	6,000.00	400.00	6,000.00	40.00	6,000.00	400.00	6,960.00	464.00
Great West Life Insurance Co. ....	16,200.00	1,080.00	18,000.00	1,200.00	18,000.00	1,200.00	24,600.00	1,640.00	25,800.00	1,720.00
National Trust Co. ....	4,800.00	320.00	4,800.00	320.00	4,800.00	320.00	4,800.00	320.00	4,800.00	320.00
Osler, Hammond & Nanton ....	16,800.00	1,120.00	16,800.00	1,120.00	16,800.00	1,120.00	16,800.00	1,120.00	16,800.00	1,120.00
Canada Permanent Loan ....	5,400.00	360.00	5,400.00	360.00	5,400.00	360.00	5,400.00	360.00	5,400.00	360.00
Trust & Loan Co. ....	4,800.00	320.00	4,800.00	320.00	4,800.00	320.00	4,002.00	266.80	4,002.00	266.80
LAWYERS.										
Tupper, Galt & Co. ....	3,855.00	257.00	3,855.00	257.00	2,892.00	192.80	2,892.00	192.80	2,625.00	175.00
Campbell, Pitblado, Co. ....	6,000.00	400.00	4,002.00	266.80	3,300.00	220.00	3,060.00	204.00	3,060.00	204.00
Machray, Sharpe & Co. ....	2,601.00	173.40	4,800.00	320.00	4,002.00	266.80	3,600.00	240.00	3,600.00	240.00
Fisher, Wilson & Co. ....	3,702.00	246.80	3,700.00	246.80	2,805.00	187.00	2,805.00	187.00	2,220.00	148.00
Hough, Campbell & Ferguson ....	3,360.00	224.00	2,856.00	190.40	1,488.00	99.20	1,488.00	99.20	1,488.00	99.20



# CITY OF WINNIPEG BUSINESS TAX—Continued.

	1914		1915		1916		1917		1918	
BANKS.	Rental Value	Taxes	Rental Value	Taxes	Rental Value	Taxes	Rental Value	Taxes	Rental Value	Taxes
Bank of Montreal .....	42,000.00	2,800.00	39,000.00	2,600.00	39,000.00	2,600.00	39,000.00	2,600.00	39,000.00	2,600.00
Canadian Bank of Commerce .....	40,800.00	2,720.00	33,000.00	2,200.00	37,800.00	2,520.00	37,800.00	2,520.00	37,800.00	2,520.00
Bank of Nova Scotia .....	10,800.00	720.00	10,200.00	680.00	10,200.00	680.00	10,200.00	680.00	10,200.00	680.00
Union Bank of Canada .....	12,000.00	800.00	10,200.00	680.00	10,800.00	720.00	10,800.00	720.00	10,800.00	720.00
Imperial Bank .....	7,500.00	500.00	7,200.00	480.00	7,200.00	480.00	7,200.00	480.00	7,200.00	480.00
Northern Crown Bank .....	12,000.00	800.00	10,800.00	720.00	19,800.00	1,320.00	19,800.00	1,320.00	19,800.00	1,320.00
GRAIN.										
Grain Growers .....	7,437.00	495.80	12,636.00	842.40	12,636.00	842.40	21,858.00	1,457.20	26,901.00	1,793.00
Canadian Elevator Co. ....	7,512.00	500.80	7,524.00	501.60	7,524.00	501.60	7,850.00	490.00	7,350.00	490.00
Jas. Richardson & Sons .....	6,888.00	459.20	6,888.00	459.20	6,888.00	459.20	7,116.00	474.40	7,116.00	474.40
Imperial Elevator Co. ....	3,108.00	207.20	4,248.00	282.20	4,248.00	283.20	4,248.00	283.20	4,248.00	283.20
BREWERIES.										
Blackwoods' Ltd. ....	15,000.00	1,000.00	13,500.00	900.00	13,500.00	900.00	13,500.00	900.00	13,500.00	900.00
McDonagh & Shea .....	12,000.00	800.00	12,000.00	800.00	12,000.00	800.00	12,000.00	800.00	12,000.00	800.00
Drewry's Ltd. ....	16,500.00	1,100.00	16,500.00	1,100.00	15,000.00	1,000.00	15,000.00	1,000.00	15,000.00	1,000.00

## APPENDIX I.

Table No. 1.

## SHOWING REVENUE AND TAXES ON CERTAIN WINNIPEG PROPERTIES.

Submitted by C. D. Sheppard, Esq., on behalf of "The Winnipeg Real Estate Exchange."

	Gross Revenue	Physical Expenses	Taxes	Net Receipts	Class of Property	Reference
<b>1.</b>						
1917 .....	\$ 5,917.25	\$1,957.47	\$2,308.77	\$1,651.01	Business	P. 1166, Vol. 5 Pro.
1918 .....	6,285.22	2,059.66	3,064.78	1,160.78		P. 1166, Vol. 5 Pro.
1919-20 ....	12,060.00	2,265.62	3,371.35	6,421.03		Vol. 6 Pro.
<b>2.</b>						
1917 .....	\$ 1,821.00	\$ 310.25	\$1,167.32	\$ 343.43	Business	P. 1165, Vol. 5 Pro.
1918 .....	2,086.70	243.69	1,555.04	287.97		P. 1165, Vol. 5 Pro.
1919-20 .....	3,120.00	268.05	1,170.56	1,141.41		Vol. 6 Pro.
<b>3.</b>						
1917 .....	\$ 3,096.30	\$1,082.48	\$3,149.10	\$1,858.72	Business	P. 1167, Vol. 5 Pro.
1918 .....	5,885.75	1,039.79	4,032.66	813.30		P. 1167, Vol. 5 Pro.
1919-20 ....	10,200.00	1,143.76	4,435.92	4,620.32		Vol. 6 Pro.
<b>4.</b>						
1917 .....	\$ 4,880.67	\$1,990.52	\$1,897.93	\$ 902.22	Business	P. 1164, Vol. 5 Pro.
1918 .....	5,392.31	2,242.42	2,614.90	534.99		P. 1164, Vol. 5 Pro.
1919-20 ....	10,200.00	2,466.66	2,831.04	4,902.30		Vol. 6 Pro.
<b>5.</b>						
1917 .....	\$ 2,065.00	\$ 494.60	\$1,181.88	\$ 388.52	Business	P. 1168, Vol. 5 Pro.
1918 .....	1,860.00	464.15	1,508.25	112.40		P. 1168, Vol. 5 Pro.
1919-20 ....	2,240.00	510.56	1,659.07	1,070.37		Vol. 6 Pro.
<b>6.</b>						
1913 .....	\$10,120.30	\$ 590.86	\$4,161.42	\$5,368.02	Stores	P. 1171, Vol. 5 Pro.
1918 .....	5,621.00	698.22	5,428.70	110.27		P. 1171, Vol. 5 Pro.
1919-20 ....	10,100.00	768.04	5,971.17	3,860.79		Vol. 6 Pro.
<b>7.</b>						
1913 .....	\$ 1,360.45	\$ 172.23	\$ 253.89	\$ 952.33	Semi-mod-ern Cot- tage	P. 1173, Vol. 5 Pro.
1918 .....	1,061.00	343.60	347.76	342.64		P. 1173, Vol. 5 Pro.
1919-20 ....	1,200.00	377.96	412.23	409.81		Vol. 6 Pro.
<b>8.</b>						
1913 .....	\$10,527.00	\$3,549.19	\$1,706.57	\$5,221.24	Stores and Office	P. 1175, Vol. 5 Pro.
1918 .....	7,261.45	4,093.24	2,082.09	1,086.12		P. 1175, Vol. 5 Pro.
1919-20 ....	8,250.00	4,502.56	2,290.29	1,457.15		Vol. 6 Pro.
<b>9.</b>						
1910 .....	\$29,047.50	\$6,026.63	\$6,276.97	\$16,743.90	Business	P. 1169, Vol. 5 Pro.
1918 .....	19,736.81	6,037.47	8,851.89	4,847.45		P. 1169, Vol. 5 Pro.
1919-20 ....	25,254.00	6,641.21	9,737.07	8,875.72		Vol. 6 Pro.

Note---See graphs Nos. 1 to 9.

## APPENDIX J.

Table No. 2.

Average rent of 6 roomed house with sanitary conveniences, as reported in "The Annual Report on Wholesale Prices Canada," and the "Labor Gazette," published by the Department of Labor, Ottawa.

Year	Winnipeg	Brandon
1910 ....	\$22.50	\$27.20
1911 ....	22.50	26.50
1912 ....	27.80	27.50
1913 ....	32.50	26.50
1914 ....	29.60	23.60
1915 ....	20.80	19.20
1916 ....	20.00	19.00
1917 ....	23.75	19.21
1918 ....	26.76	19.09

NOTE:—For the class of house above referred to, the latest report issued by the Dominion statistician shows the average rental in Winnipeg during the month of October, 1919, to be \$30.00 per month.

(See graphs Nos. X and XI.)

## APPENDIX K.

Table No. 3.

GENERAL TAXES PER CAPITA ON REAL PROPERTY IN  
TYPICAL WESTERN CITIES.

MANITOBA.						
City	1917	Population	Taxes per Cap.	1918	Population	Taxes per Cap.
	Total Gen. Taxes on Realty			Total Gen. Taxes on Realty		
Winnipeg . . . .	4,317,060.73	182,848	\$23.61	5,663,062.64	183,595	\$30.84
City Comptroller's Report. P 105.						
St. Boniface .	482,488.68	11,837	40.76	584,255.60	12,000	42.02
Statement filed by City Clerk.						
Brandon . . . . .	352,783.97	15,669	22.47	385,387.24	14,608	26.38
Statement filed by City Clerk.						
SASKATCHEWAN.						
Regina . . . . .	885,170.49	40,000	22.13	994,650.44	40,000	24.86
Statement filed by City Assessor.						
Saskatoon . . .	418,835.41	25,000	16.73	508,090.94	26,500	19.17
Statement filed by City Clerk.						
Moose Jaw . . .	709,205.22	19,000	37.33	668,731.95	20,500	32.62
Statement filed by City Treasurer.						
ALBERTA.						
Edmonton . . . . .				2,729,097.65	60,000	45.49
Statement filed by Tax Collector.						
Calgary . . . . .	1,975,821.64	65,000	30.39	2,204,578.23	70,000	31.49
Statement filed by City Treasurer.						
Medicine Hat.	271,889.30	11,000	24.71	220,347.88	11,000	20.03
Statement filed by City Comptroller.						
BRITISH COLUMBIA.						
Vancouver . . . .	3,491,612.34	102,550	34.05	3,775,595.64	109,250	32.88
Statement filed by City Clerk.						

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### Showing Proportion Borne by Each of the Elements.

	Taxes on Land and Buildings.	Per cent. of Total	Special Assessments	Per cent. of Total.	Business Tax.	Per cent. of Total.	Revenue other than Taxes.	Per cent. of Total.	Total Revenue.
<b>WINNIPEG:</b>									
1917 .....	4,317,060.73	65.92	1,301,688.53	19.87	\$333,866.40	\$5.09	\$596,974.93	\$9.12	\$6,549,590.49
1918 .....	5,663,062.64	72.39	1,159,130.60	14.82	343,146.40	4.38	658,129.50	8.41	7,823,479.14
1919 .....	6,055,247.13	74.28	1,103,833.60	13.54	375,436.00	4.61	617,260.50	7.57	8,151,777.23
City Comptroller's Report.									
<b>ST. BONIFACE:</b>									
1917 .....	482,448.68	66.68	133,992.34	18.58	.....	.....	104,913.26	14.54	721,394.28
1918 .....	504,225.60	67.69	126,244.29	16.94	.....	.....	114,470.17	15.37	744,970.06
1919 .....	504,225.60	66.25	126,244.29	16.58	16,332.00	2.15	114,470.17	15.02	761,302.06
Statement filed by City Clerk.									
<b>BRANDON:</b>									
1917 .....	352,783.97	67.59	94,240.24	18.06	33,461.66	6.42	41,293.41	7.93	521,779.28
1918 .....	385,387.24	69.07	93,993.80	16.84	35,051.80	6.28	43,607.01	7.81	558,039.85
1919 .....	463,527.48	73.45	90,033.91	14.27	34,436.10	5.45	43,237.86	6.83	631,285.35
Statement filed by City Clerk.									
<b>REGINA:</b>									
1917 .....	885,170.49	72.38	253,259.88	20.70	67,533.58	5.52	16,829.15	1.40	1,222,793.10
1918 .....	994,650.44	71.35	274,245.13	19.68	108,769.91	7.80	16,375.52	1.17	1,394,041.00
1919 .....	1,222,886.51	74.88	252,729.96	15.47	138,740.55	8.49	18,929.19	1.16	1,633,286.21
Statement filed by City Assessor.									
<b>SASKATOON:</b>									
1917 .....	418,835.41	52.79	124,967.00	15.75	3,641.68	.45	245,970.02	31.01	793,414.11
1918 .....	508,090.94	61.66	125,475.43	15.22	6,793.89	.81	183,898.48	22.31	824,858.74
1919 .....	536,239.22	62.90	125,734.69	14.75	6,983.70	.82	183,527.08	21.53	852,484.69
Statement filed by City Clerk.									
<b>MOOSE JAW:</b>									
1917 .....	709,205.22	58.56	71,659.20	5.91	13,288.14	1.11	416,858.97	34.42	1,211,011.53
1918 .....	688,731.95	49.53	86,978.05	5.44	16,269.38	1.06	580,385.83	42.97	1,350,365.21
1919 .....	698,214.46	50.30	98,174.17	7.07	16,744.95	1.20	575,166.00	41.43	1,388,299.58
Statement filed by City Treasurer.									
<b>EDMONTON:</b>									
1917 .....	2,491,753.65	74.54	528,823.41	15.82	.....	....	322,131.52	9.64	3,342,708.58
1918 .....	2,729,097.65	71.33	516,128.07	13.49	168,439.21	4.41	(a) 412,418.66	10.77	3,826,083.59
1919 .....	2,653,182.53	69.27	510,648.95	13.33	170,000.00	4.44	(b) 495,957.30	12.96	3,829,788.88
Statement filed by Tax Collector.									
(a) \$132,589.00 of this income tax.									
(b) \$140,000.00 of this income tax.									
<b>CALGARY:</b>									
1917 .....	1,975,321.64	66.94	537,586.02	18.20	97,054.58	3.27	341,648.96	11.59	2,951,611.20
1918 .....	2,204,578.28	67.63	534,673.97	16.41	156,854.40	4.81	363,621.77	11.15	3,259,728.37
1919 .....	2,558,341.53	70.88	540,309.85	14.97	167,193.00	4.65	343,004.96	9.50	3,608,849.34
Statement filed by City Treasurer.									
<b>MEDICINE HAT:</b>									
1917 .....	271,889.30	42.85	25,256.09	3.98	23,358.69	3.68	313,867.28	49.50	634,371.36
1918 .....	220,347.88	34.54	23,972.39	3.76	17,910.97	2.81	375,668.93	58.89	637,900.17
1919 .....	209,283.98	26.91	23,000.00	2.95	16,416.50	2.10	528,743.71	68.04	777,444.19
Statement filed by City Comptroller.									
<b>VANCOUVER:</b>									
1917 .....	3,491,612.34	66.76	624,721.91	11.95	.....	...	1,113,238.39	21.29	5,229,572.64
1918 .....	3,775,595.64	67.22	610,784.31	10.98	.....	...	1,218,987.16	21.80	5,605,367.11
1919 .....	4,162,274.00	70.80	416,472.00	7.09	.....	...	1,300,000.00	22.11	5,878,746.00
Statement filed by City Clerk.									

## APPENDIX M.

TABLE NO 5.

## ASSESSMENT AND POPULATION OF THREE MANITOBA CITIES.

## WINNIPEG:

Year	Population	Assessed value of real property	Real property assess- ment per capita
1909	122,390	\$107,997,320.00	\$ 883.00
1910	132,720	157,608,220.00	1,185.00
1911	151,958	172,677,250.00	1,136.00
1912	166,533	214,360,440.00	1,287.00
1913	184,730	259,419,520.00	1,402.00
1914	203,255	280,791,340.00	1,383.00
1915	212,889	288,451,340.00	1,354.00
1916	201,981	278,732,370.00	1,380.00
1917	182,848	253,667,790.00	1,386.00
1918	183,595	252,528,800.00	1,372.00
1919	183,378	236,023,520.00	1,283.00

P. 104 City Comptroller's Report, 1919. See graph No. XVIII.

## ST. BONIFACE:

1909	6,000	8,847,195.00	1,474.00
1910	6,238	8,807,460.00	1,411.00
1911	8,085	10,983,950.00	1,358.00
1912	9,992	12,807,100.00	1,282.00
1913	11,405	17,206,870.00	1,509.00
1914	12,025	23,718,080.00	1,976.00
1915	12,307	24,200,790.00	1,967.00
1916	11,581	20,886,170.00	1,803.00
1917	11,837	19,113,772.00	1,620.00
1918	12,000	16,457,460.00	1,371.00
1919	12,225	14,790,485.00	1,212.00

Statement from City Clerk. See graph No. XIX.

## BRANDON:

1909	11,746	7,874,033.00	678.00
1910	12,770	8,013,110.00	626.00
1911	13,469	9,062,775.00	671.00
1912	14,453	9,961,210.00	691.00
1913	17,280	13,683,820.00	790.00
1914	17,177	13,943,248.00	810.00
1915	15,866	14,010,317.00	881.00
1916	18,048	14,144,491.00	786.00
1917	15,699	15,331,905.00	976.00
1918	14,608	15,399,525.00	1,054.00
1919	14,012	15,447,978.00	1,103.00

Statement from City Clerk. See graph No. XX.

### ASSESSMENT AND POPULATION OF THREE SASKATCHEWAN CITIES.

**REGINA:**

Year	Population	Assessed value of real property	Real property assess- ment per capita
1909	12,000	\$ 9,729,201.00	\$ 810.00
1910	15,500	11,900,120.00	768.00
1911	30,210	24,624,410.00	815.00
1912	45,000	52,257,164.00	1,161.00
1913	50,000	66,085,519.00	1,321.00
1914	50,000	67,930,605.00	1,358.00
1915	40,000	57,309,616.00	1,432.00
1916	40,000	48,173,729.00	1,204.00
1917	40,000	40,295,170.00	1,007.00
1918	40,000	38,356,780.00	959.00
1919	40,000	36,826,110.00	921.00

Statement from City Assessor. See graph No. XXI.

**SASKATOON:**

1909	.....	7,022,360.00	.....
1910	.....	9,766,805.00	.....
1911	12,000	22,274,273.00	1,856.00
1912	.....	35,318,805.00	.....
1913	.....	54,325,905.00	.....
1914	.....	54,548,420.00	.....
1915	.....	46,162,425.00	.....
1916	21,054	37,190,658.00	1,771.00
1917	25,000	35,811,075.00	1,433.00
1918	.....	29,341,285.00	.....
1919	28,000	28,066,065.00	1,002.00

Statement from City Clerk. See graph No. XXII.

**MOOSE JAW:**

1909	9,000	8,488,200.00	943.00
1910	11,000	9,996,964.00	909.00
1911	13,823	18,445,766.00	1,337.00
1912	15,000	41,185,639.00	2,746.00
1913	18,000	48,972,251.00	2,720.00
1914	20,000	40,842,991.00	2,042.00
1915	20,000	33,297,027.00	1,664.00
1916	16,934	30,328,065.00	1,794.00
1917	19,000	25,694,435.00	1,352.00
1918	20,500	23,652,295.00	1,153.00
1919	22,000	20,612,578.00	937.00

Statement from City Treasurer. See graph No. XXIII.

## ASSESSMENT AND POPULATION OF THREE ALBERTA CITIES.

### EDMONTON:

Year	Population	Assessed value of real property	Real property assessment per capita
1909 .....	23,000	\$ 23,584,990.00	\$1,112.00
1910 .....	27,000	30,105,110.00	1,112.00
1911 .....	30,000	46,494,740.00	1,549.00
1912 .....	53,611	123,475,070.00	2,303.00
1913 .....	67,243	188,539,110.00	2,805.00
1914 .....	.....	191,283,970.00	.....
1915 .....	.....	171,361,830.00	.....
1916 .....	53,846	132,474,845.00	2,462.00
1917 .....	.....	100,917,090.00	.....
1918 .....	.....	92,404,590.00	.....
1919 .....	60,000	79,772,530.00	1,329.00

Statement from Tax Collector. See graph No. XXIV.

### CALGARY

1909 .....	.....	18,210,743.00	.....
1910 .....	50,000	28,180,732.00	564.00
1911 .....	55,000	48,224,695.00	876.00
1912 .....	70,000	107,464,320.00	1,535.00
1913 .....	85,000	128,094,678.00	1,507.00
1914 .....	90,000	129,150,780.00	1,435.00
1915 .....	80,000	107,752,205.00	1,347.00
1916 .....	56,302	82,868,179.00	1,472.00
1917 .....	65,000	78,737,283.00	1,211.00
1918 .....	70,000	75,898,718.00	1,084.00
1919 .....	75,000	77,399,266.00	1,032.00

Statement from City Treasurer. See graph No. XXV.

### MEDICINE HAT

1909 .....	5,000	4,134,094.00	827.00
1910 .....	6,000	4,153,125.00	692.00
1911 .....	10,000	4,907,560.00	490.00
1912 .....	15,000	7,012,525.00	467.00
1913 .....	12,000	20,353,925.00	1,696.00
1914 .....	10,000	21,101,989.00	2,110.00
1915 .....	10,000	19,241,861.00	1,924.00
1916 .....	10,000	14,848,260.00	1,484.00
1917 .....	11,000	13,594,465.00	1,236.00
1918 .....	11,000	10,888,049.00	990.00
1919 .....	11,000	10,923,114.00	993.00

Statement filed by City Comptroller. See graph No. XXVI.

# ASSESSMENT AND POPULATION OF CITY OF VANCOUVER, BRITISH COLUMBIA.

## VANCOUVER:

Year	Population	Assessed value of real property	Real property assess- ment per capita
1909 .....	78,900	\$106,454,265.00	\$1,349.00
1910 .....	93,700	136,579,005.00	1,457.00
1911 .....	111,240	192,072,890.00	1,730.00
1912 .....	122,100	212,985,179.00	1,737.00
1913 .....	114,220	226,656,403.00	1,988.00
1914 .....	106,110	224,202,883.00	2,115.00
1915 .....	97,995	214,358,910.00	2,187.00
1916 .....	95,992	215,865,180.00	2,248.00
1917 .....	102,550	208,627,045.00	1,881.00
1918 .....	109,250	205,044,673.00	1,881.00
1919 .....	123,050	207,738,945.00	1,689.00

Statement filed by City Clerk. See graph No. XXVII.

## APPENDIX N.

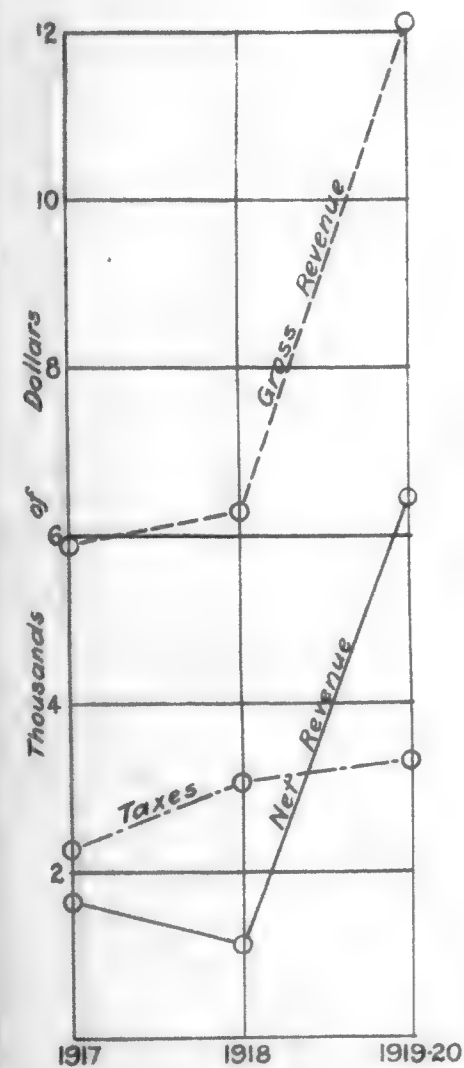
Extract from statement submitted by Mr. A. M. Fraser, Winnipeg.

No.	Property	Assessed Value of Buildings	Total Value of Buildings	Assessed Value of Land	Total Value Land and Bldgs.	Note—The follow- ing shows the per- centage which the value of the land is of the total value, Land and Building
1	Forum ....	\$ 6,000	\$ 9,000	\$ 147,500	\$ 156,500	94.2%
2	Bannatyne ....	Nil	Nil	34,300	34,300	100.0%
3	Jubilee Block ....	15,600	23,400	49,100	72,500	67.7%
4	Burridge Block ....	1,500	2,250	98,000	100,250	97.7%
5	Post Office Block ....	1,200	1,800	308,100	309,900	99.4%
6	Adj. Confederation Life Block..	2,500	3,750	155,400	159,150	97.7%
7	Bon Accord ....	108,000	162,000	202,300	364,300	55.5%
8	Pt. Douglas Property ....	Nil	Nil	12,500	12,500	100.0%
9	Montrose Street ....	Nil	Nil	2,250	2,250	100.0%
10	Clifton Street ....	Nil	Nil	5,520	5,520	100.0%
	Totals ....	\$134,800	\$202,200	\$1,014,970	\$1,217,170	



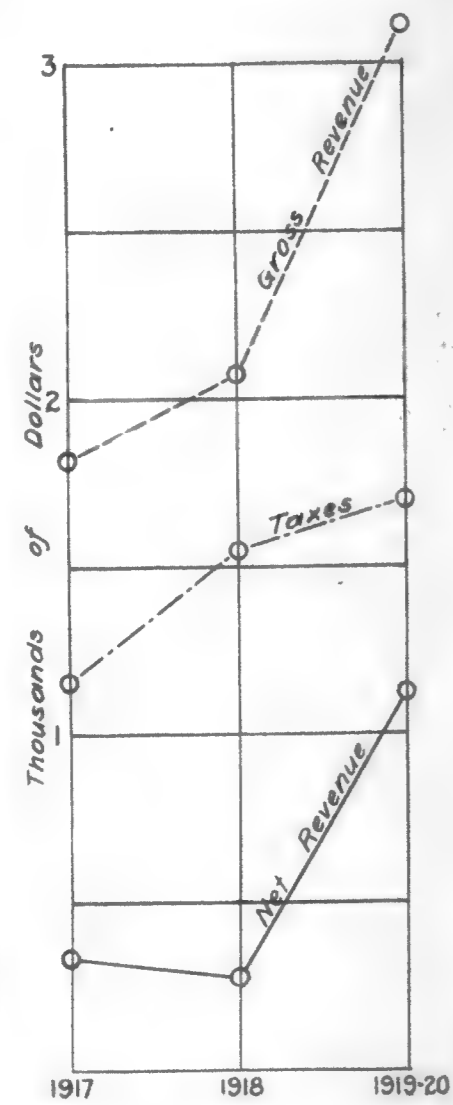
**Graph No. I**

Business property



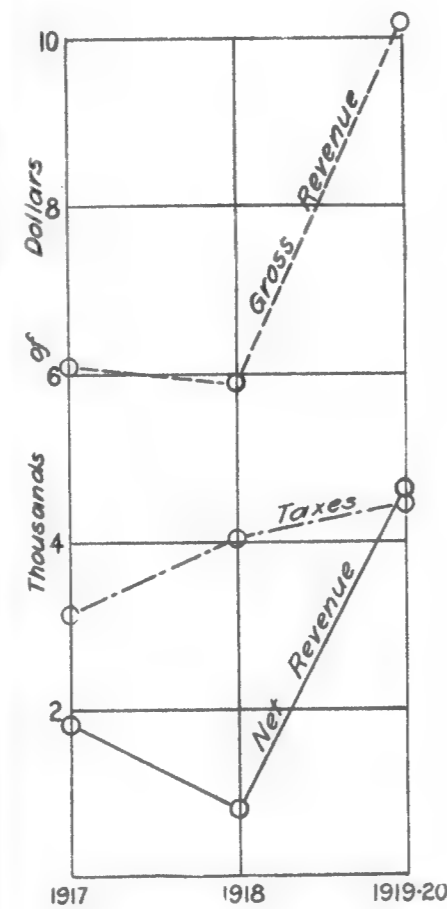
**Graph No. II**

Business property



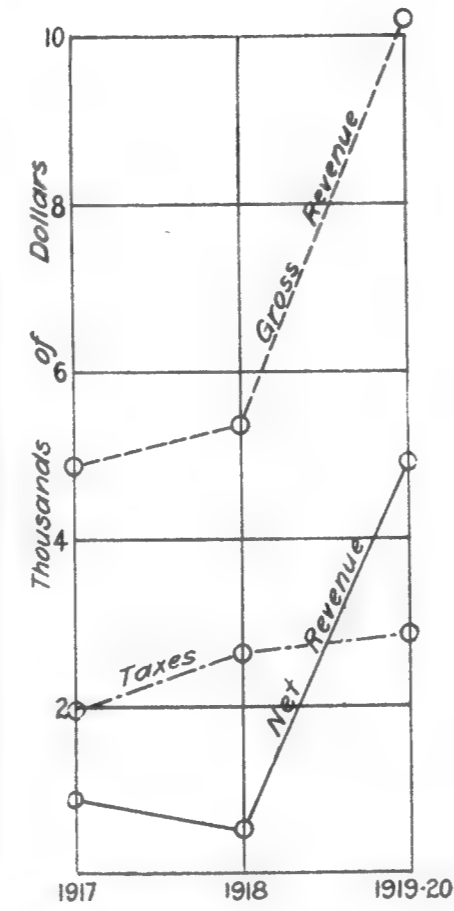
**Graph No. III**

Business property.



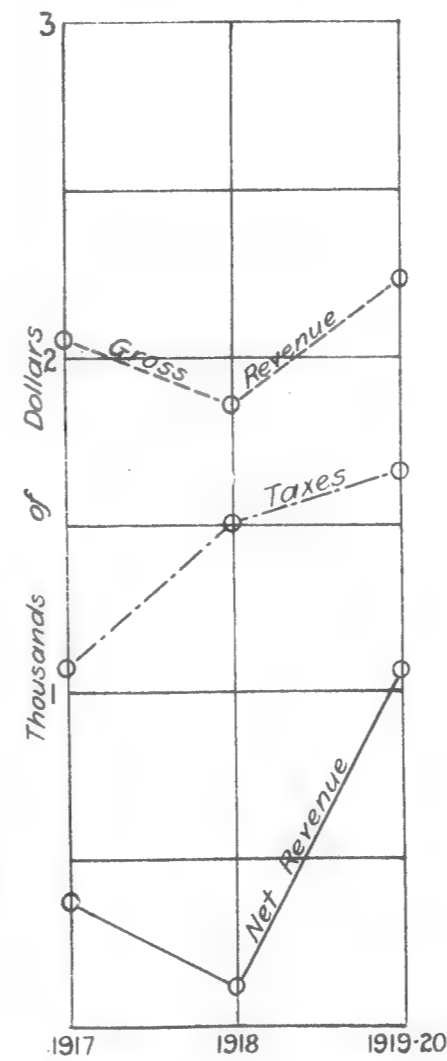
**Graph No. IV**

Business property



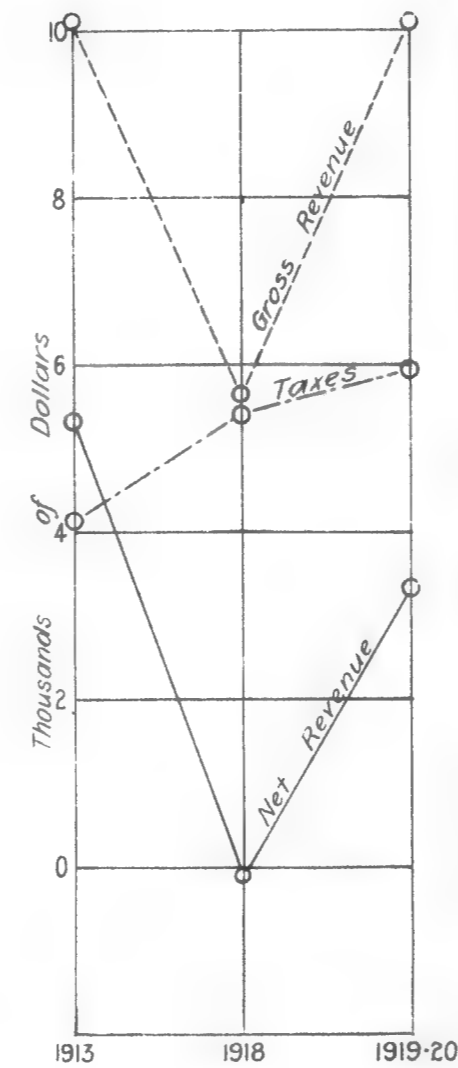
**Graph No. V**

Business property



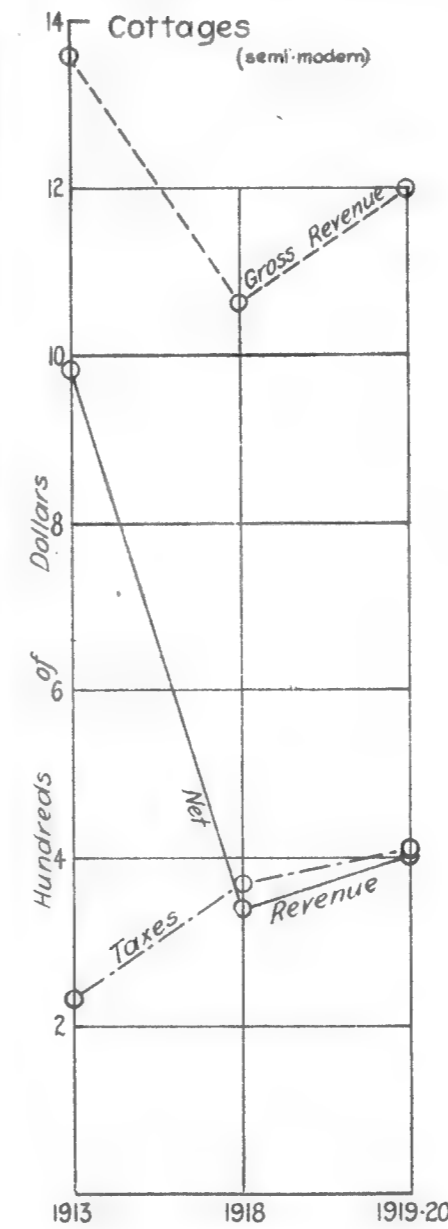
**Graph No. VI**

Stores



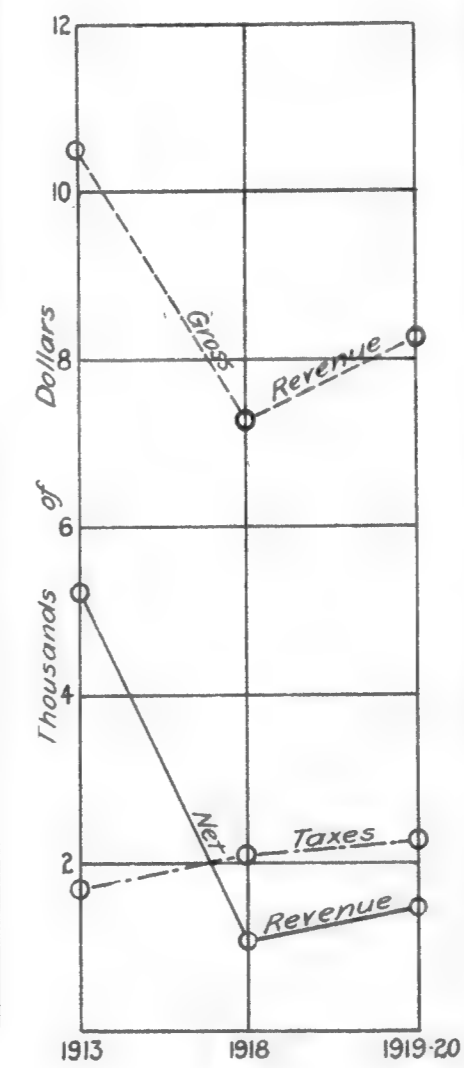
**Graph No. VII**

Cottages  
(semi-modern)



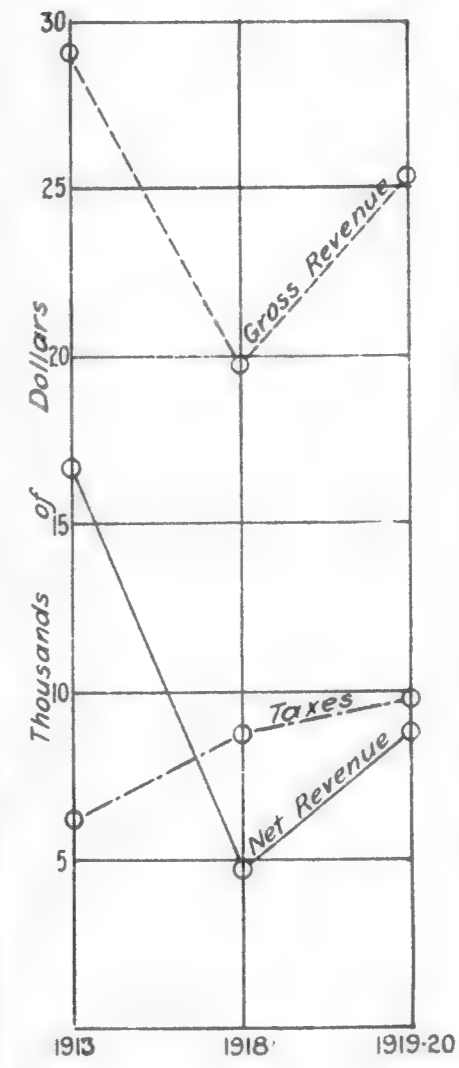
**Graph No. VIII**

Stores and Offices.



**Graph No. IX**

Business property



GRAPHS Nos I to IX  
Revenue and taxes on  
Winnipeg properties.  
(See Table No 1)



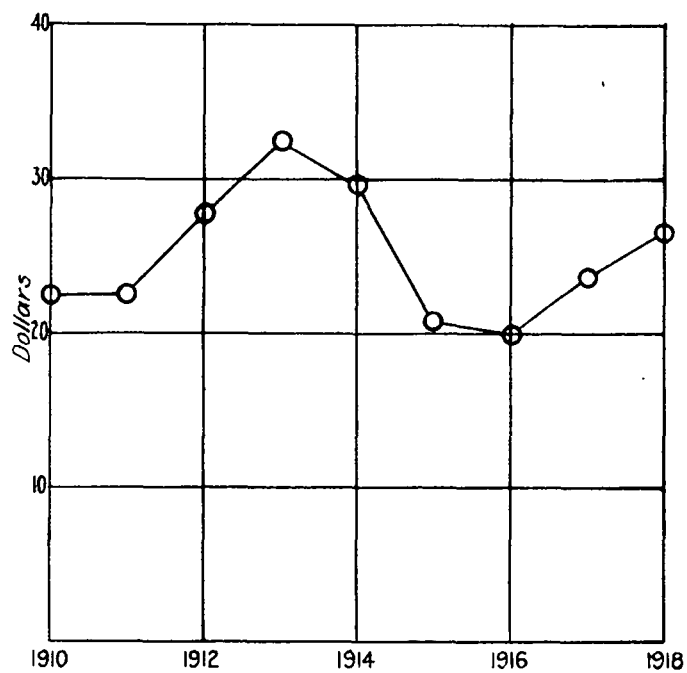
### Graph No. X

Winnipeg 1910-18

6 Roomed Houses with Sanitary conveniences.

Data taken from:-  
"Wholesale Prices in Canada"  
and  
"Labor Gazette."

See Table No II



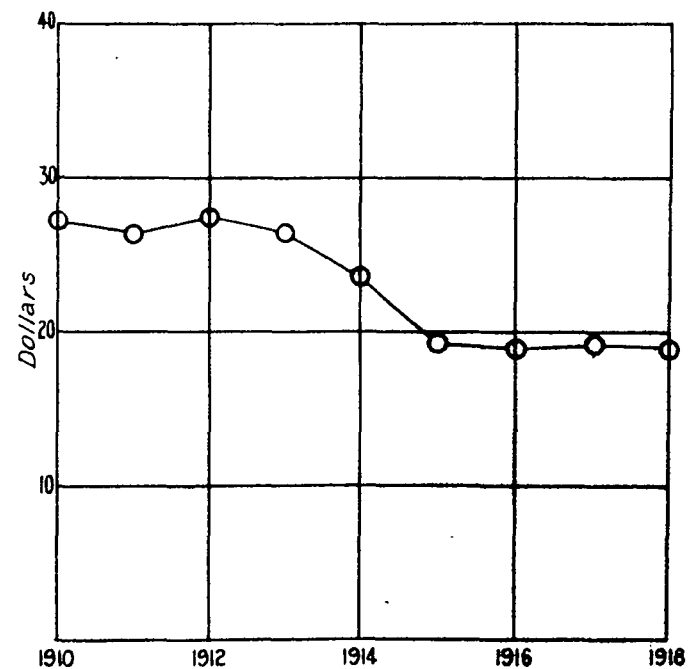
### Graph No. XI

Brandon 1910-18

6 Roomed Houses with Sanitary conveniences

Data taken from:-  
"Wholesale Prices in Canada"  
and  
"Labor Gazette."

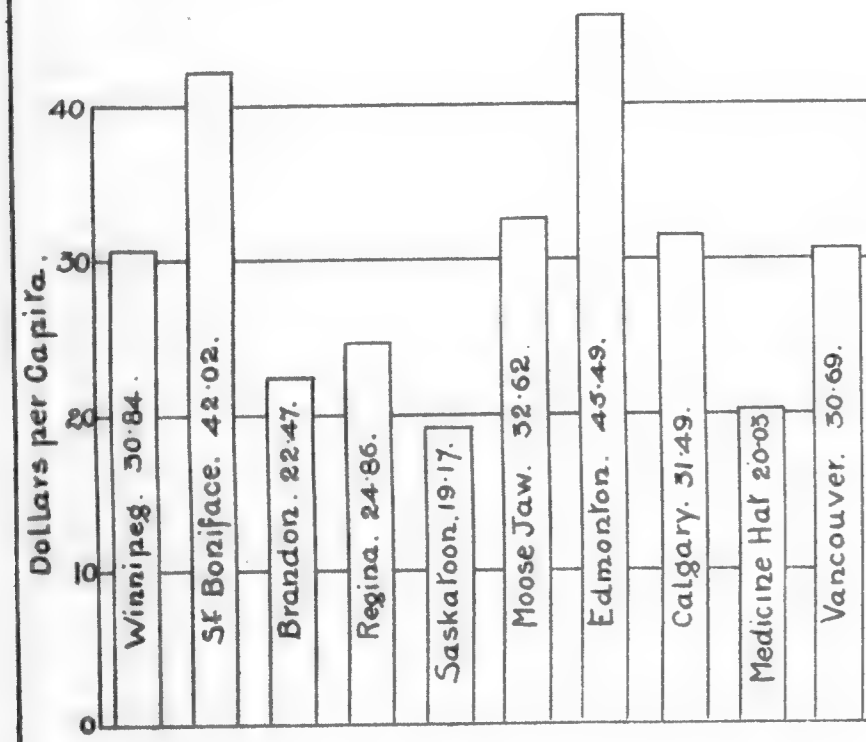
See Table No. II.





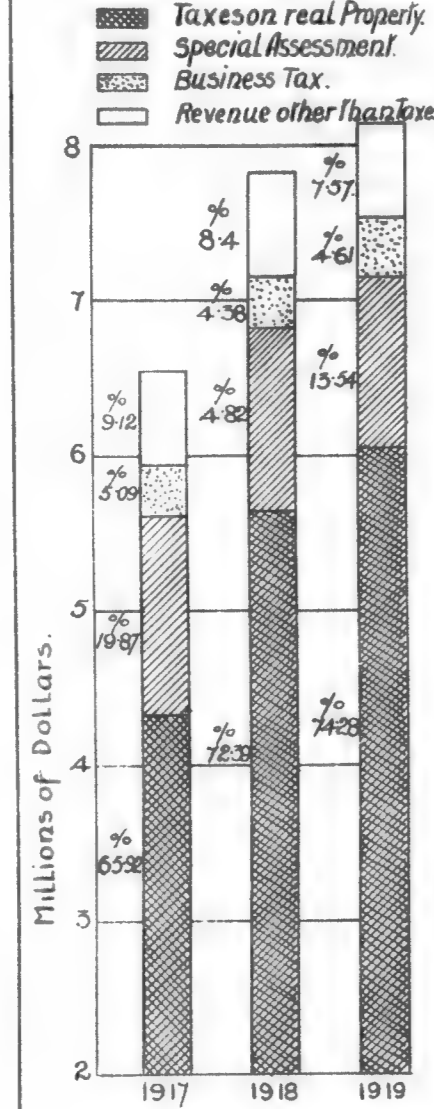
Graph No. XII.

General Taxes per Capita on real Property in  
Typical Western Cities.  
1918.



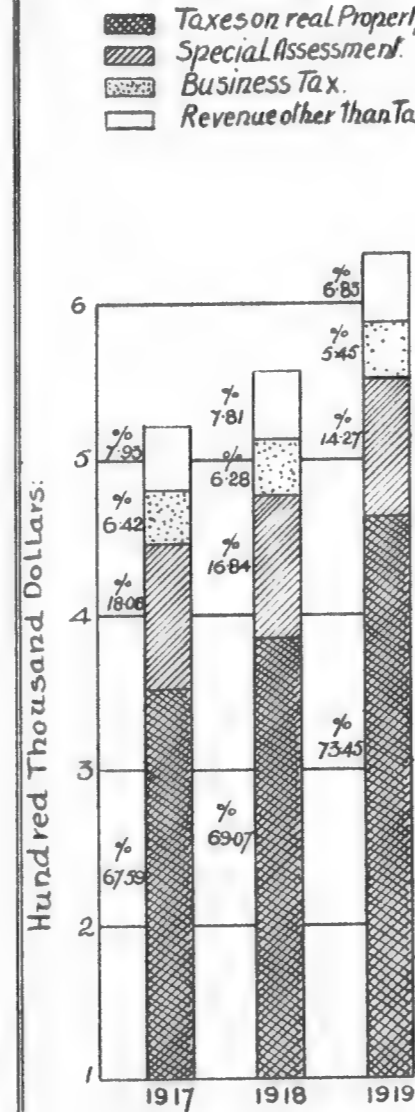
Graph No. XIII

Showing proportion of revenue derived from various sources.  
WINNIPEG.  
St BONIFACE.



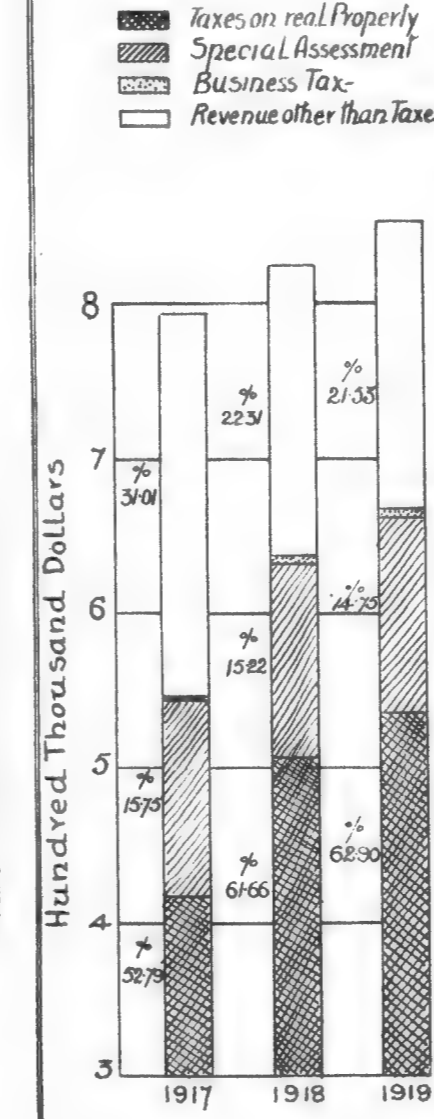
Graph No. XIV

Showing proportion of revenue derived from various sources.  
BRANDON.  
REGINA.



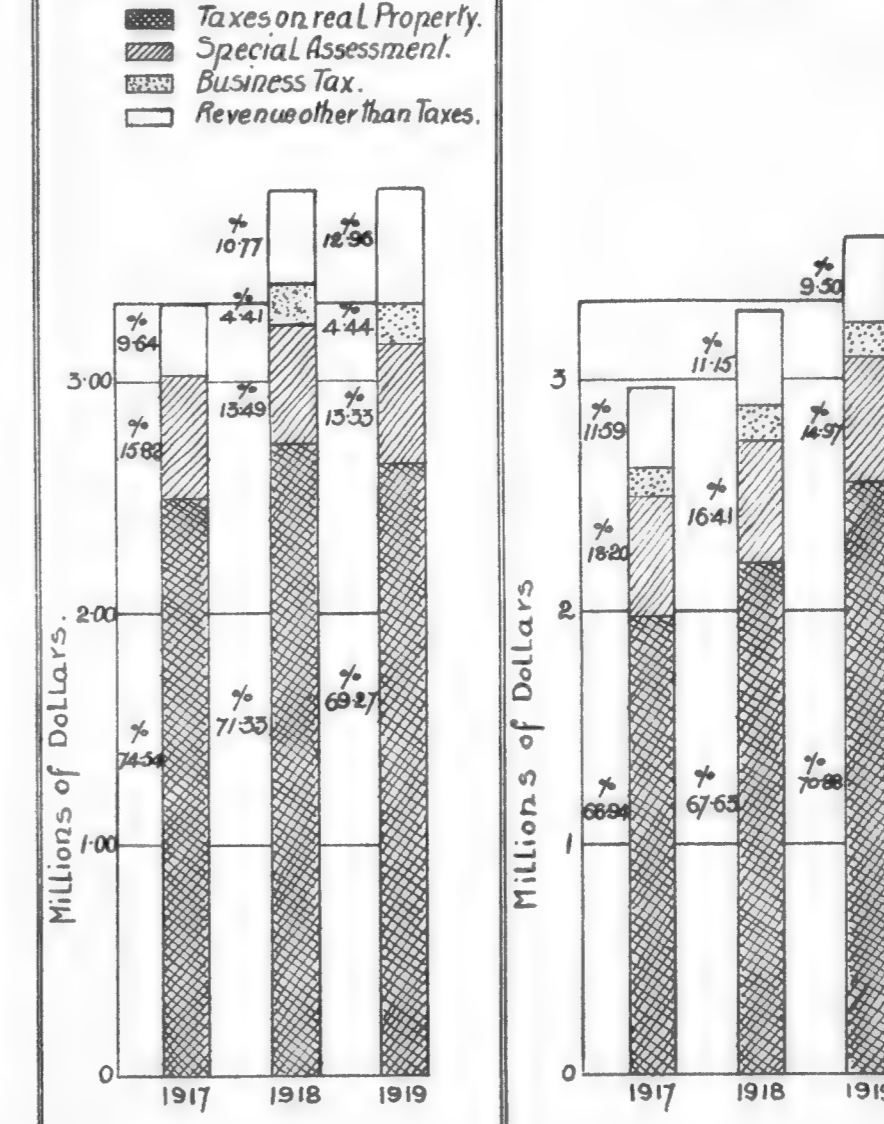
Graph No. XV.

Showing proportion of revenue derived from various sources.  
SASKATOON.  
MOOSE JAW.



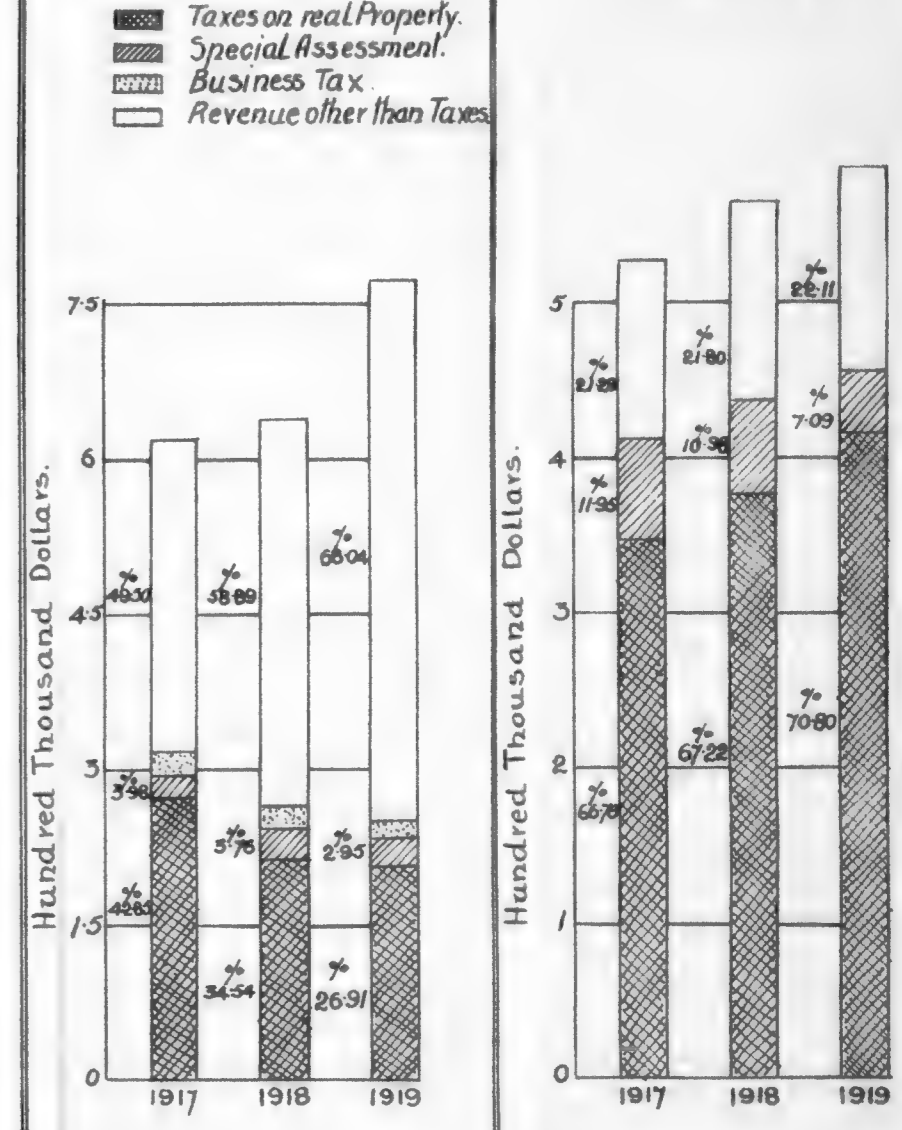
Graph No. XVI.

Showing proportion of revenue derived from various sources.  
EDMONTON.  
CALGARY.



Graph No. XVII.

Showing proportion of revenue derived from various sources.  
MEDICINE HAT.  
VANCOUVER.



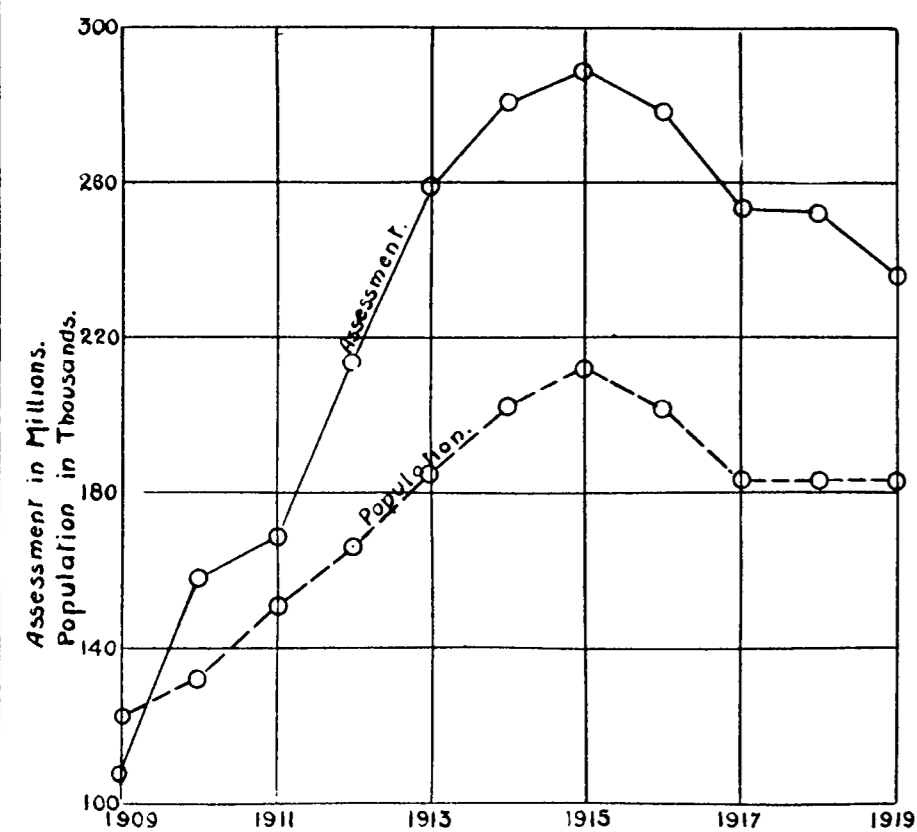


**Graph No. XVIII.**

Assessment and Population.

Winnipeg.

Data taken from  
City Comptroller's Report.

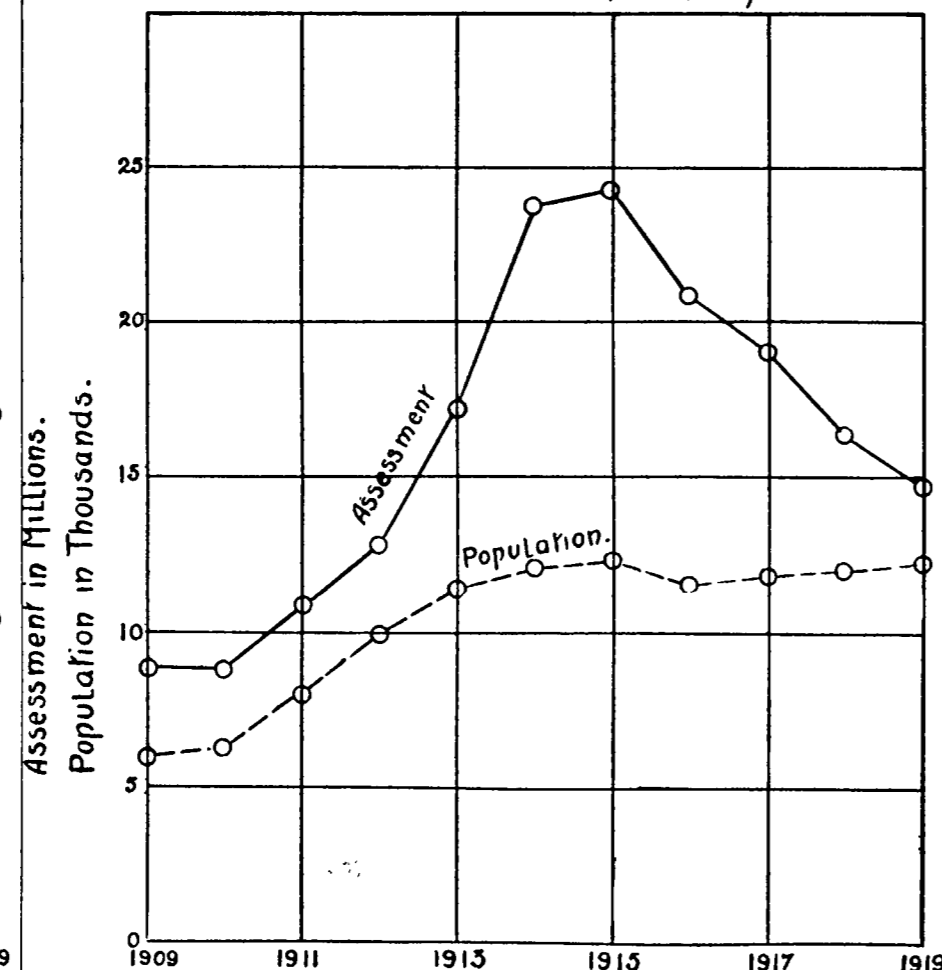


**Graph No. XIX.**

Assessment and Population.

St Boniface.

Data filed by City Clerk.

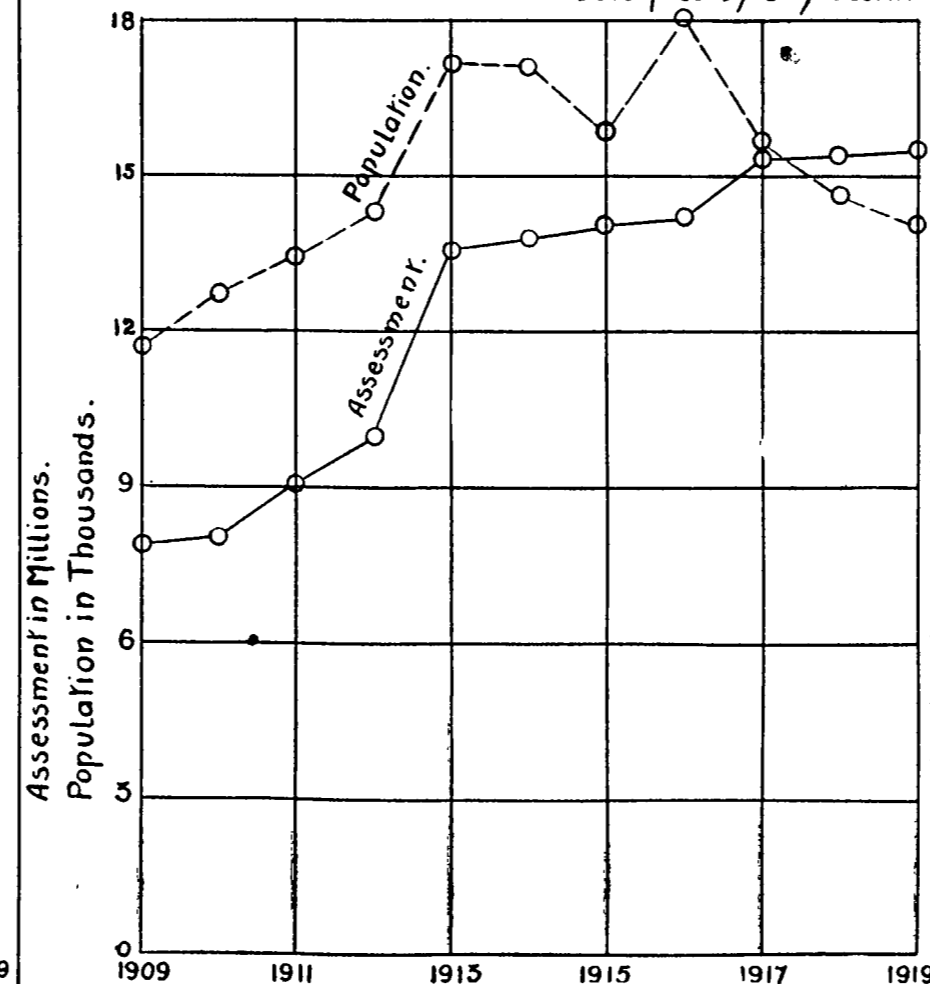


**Graph No. XX.**

Assessment and Population.

Brandon.

Data filed by City Clerk.

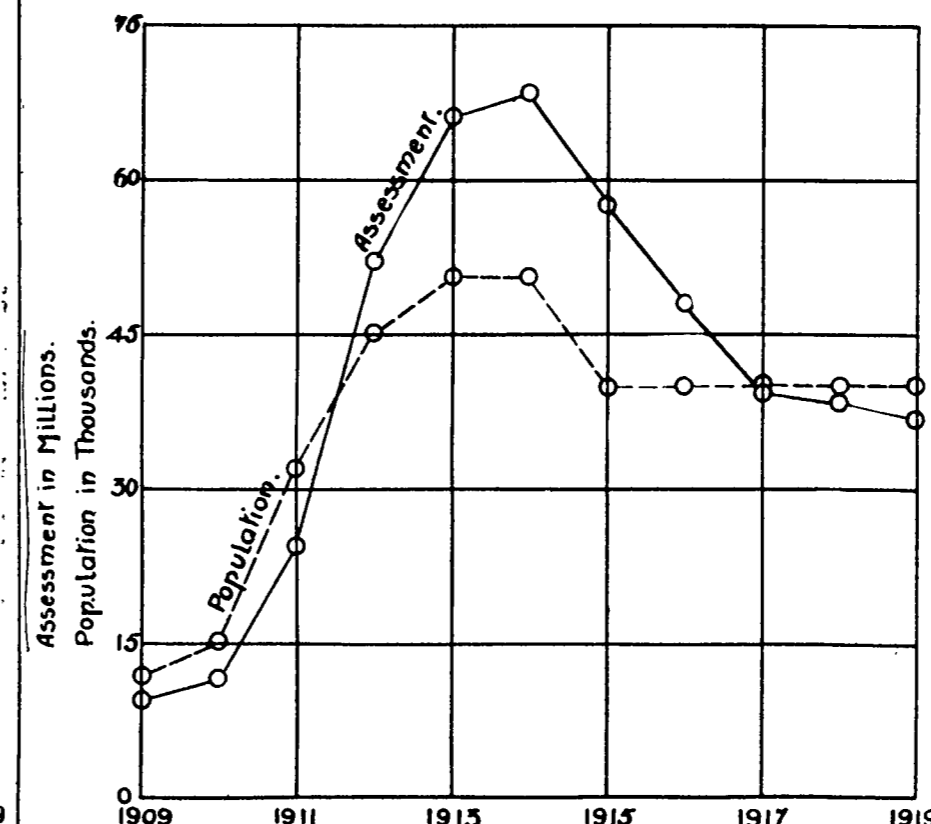


**Graph No. XXI.**

Assessment and Population.

Regina.

Data filed by City Assessor.

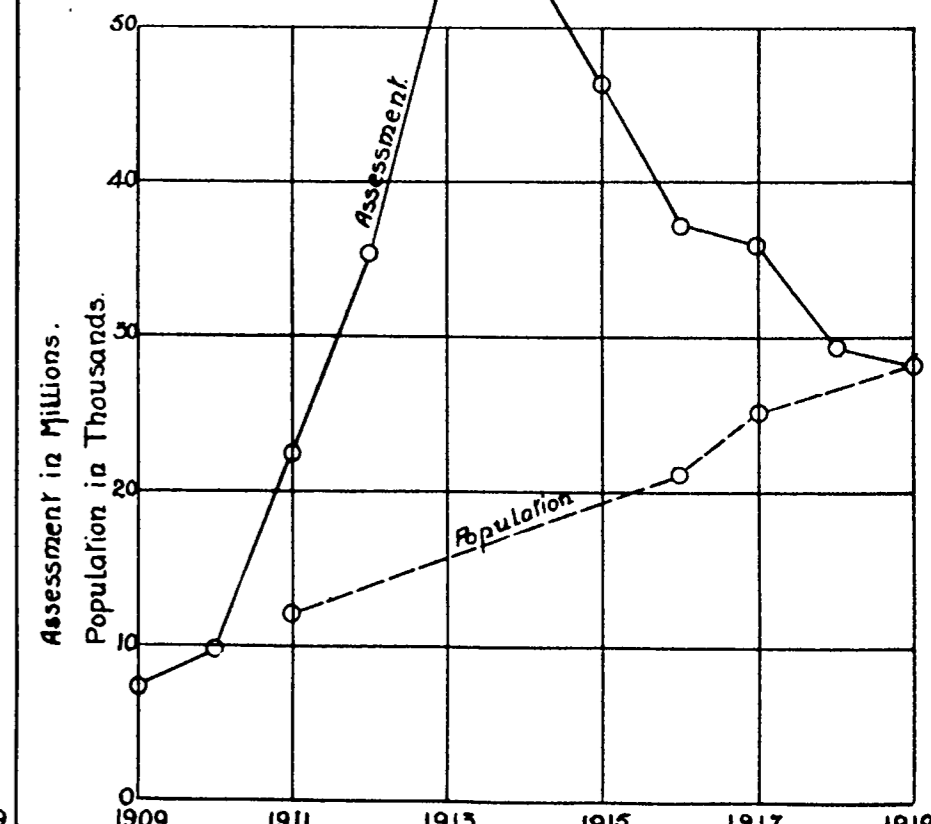


**Graph No. XXII.**

Assessment and Population.

Saskatoon.

Data filed by City Clerk.



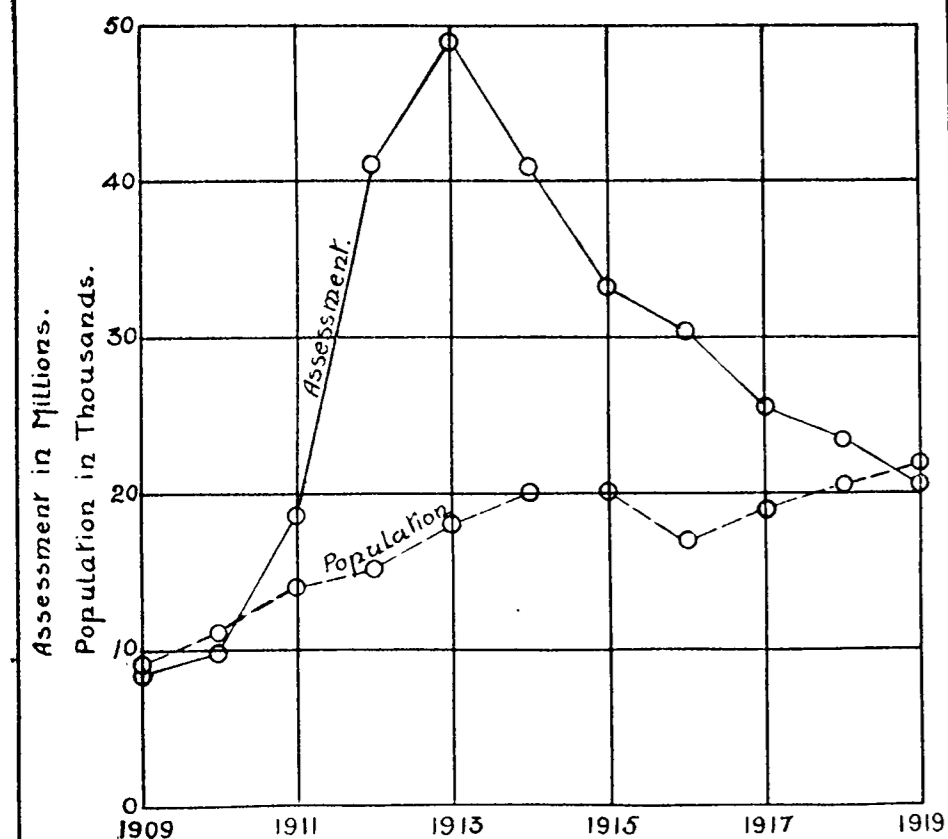


**Graph No. XXIII.**

Assessment and Population.

Moose Jaw.

Data filed by City Treasurer.

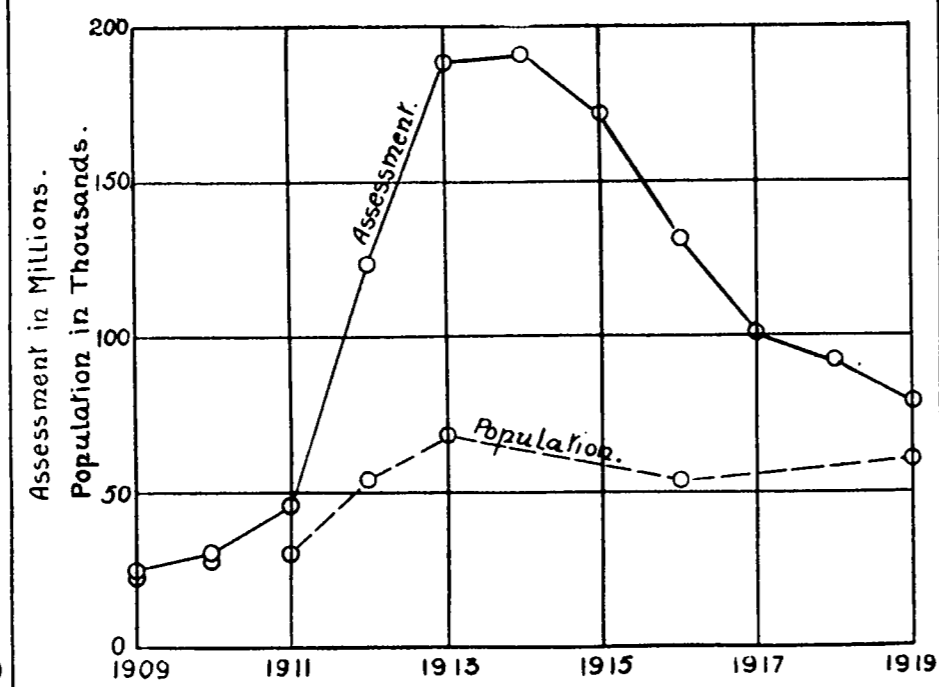


**Graph No. XXIV.**

Assessment and Population.

Edmonton.

Data filed by City Tax Collector.

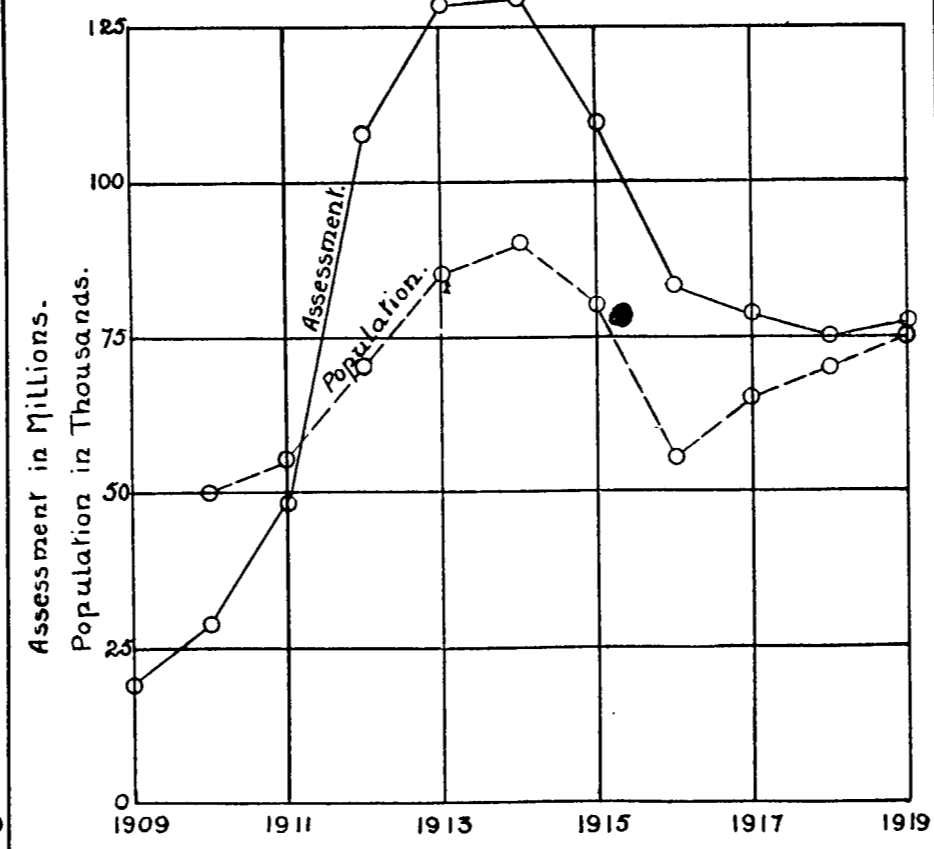


**Graph No. XXV.**

Assessment and Population

Calgary.

Data filed by City Treasurer.

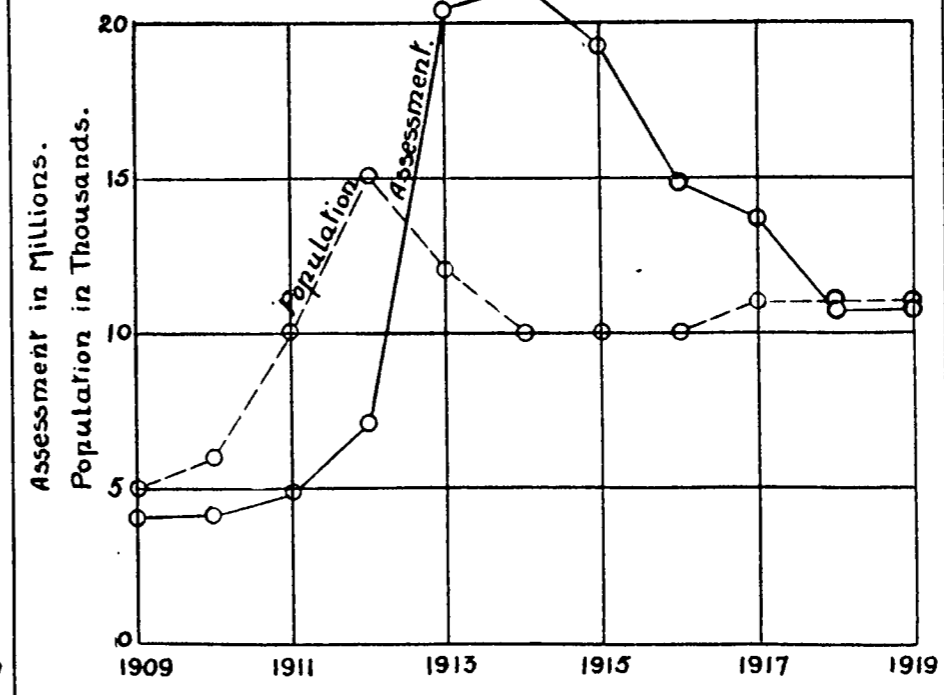


**Graph No. XXVI.**

Assessment and Population

MEDICINE-HAT.

Data filed by City Comptroller.

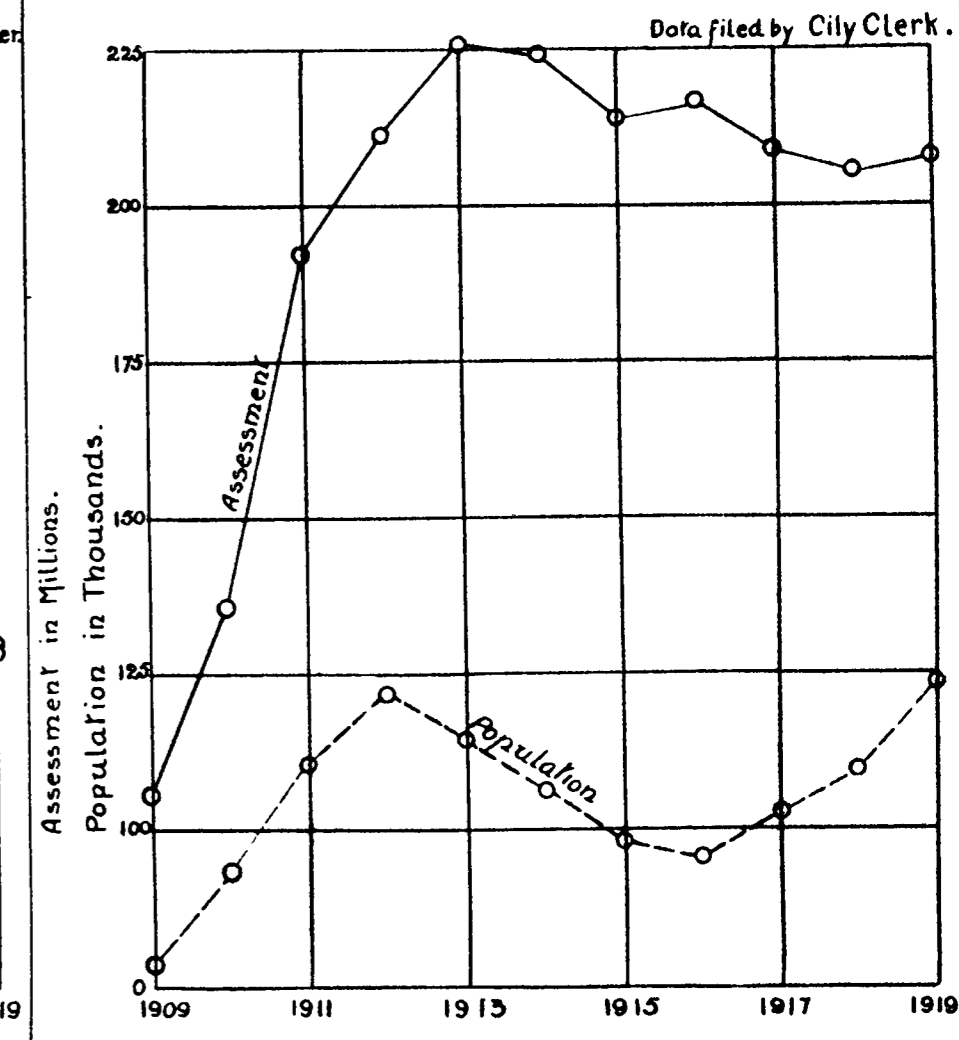


**Graph No. XXVII.**

Assessment and Population.

Vancouver.

Data filed by City Clerk.





GOV DOC CA2 MA Z3 19R21  
MANITOBA ASSESSMENT AND TAXATION  
COMMISSION

REPORT OF THE ASSESSMENT AND  
39999709 GOV PUB



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**DATE DUE SLIP**

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